Austria Sch 18 · Bahrain Din 0.650 · Belgium BFr 42 · Canada C$1.00 · Cyprus C£0.50 · Denmark DKr 7.25 · Egypt E£1.00 · Finland Fmk 8.00 · France FFr 6.00 · Germany DM 2.20 · Greece Dr 70 · Hong Kong HK$12 · India Rup 15 · Indonesia Rp 2500 · Italy L 1300 · Japan Y550 · Jordan Fils 500 · Kuwait Fils 500 · Lebanon L 6.00 · Luxembourg LFr 42 · Malaysia Ring 4.25 · Mexico Pes 300 · Morocco Dh 6.00 · Netherlands Fl 2.50 · Norway NKr 6.00 · Philippines Pes 20 · Portugal Esc 80 · S. Arabia Rls 8.00 · Singapore S$4.10 · Sri Lanka Rup 30 · Spain Pta 110 · Sweden SKr 8.50 · Switzerland SFr 2.70 · Taiwan NT$45 · Tunisia Din 0.600 · Turkey L 210 · UAE Dh 6.50 · USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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مكتبة الأهرام

New concept in French rail travel, Page 13

World news | Business summary

Ugandans sign peace pact

Uganda Government and rebel leaders signed in Nairobi a long-awaited peace pact aimed at ending two decades of internal strife. The pact was signed by head of state General Tito Okello, Yoweri Museveni, leader of the National Resistance Movement (NRM) and Kenyan President Daniel arap Moi, who mediated during the 3½ months of talks.

Museveni has been awarded the post of vice chairman of the Military Council. His NRM, which controls much of the south of the country, has been given seven seats on the 20-member Council.

The agreement envisages a speedy return to democracy, a new constitution immediate release of political prisoners and the recruitment and training of a new national army. Page 14; Suspicious cloud peace, Page 3

Gandhi setback

The Congress I party of Indian Prime Minister Rajiv Gandhi appeared to have done badly in Monday's mini general election, losing seats in a series of by-elections and failing to achieve a majority for the state assembly in the north-eastern state of Assam. Page 3

Spanish pit strike

Thousands of Spanish coalminers started a two-day strike in protest against mine accidents and working conditions. In the Basque country political parties and several trade union organisations called for strikes today to press for further explanations on the death of detainee Mikel Zabala. Page 2

Dutch blockade ends

Dutch lorry drivers called off a blockade paralysing roads and border crossings after employers won a court order banning the action.

Shultz disappointed

US Secretary of State George Shultz said he was disappointed that Yugoslavia had let Mohammed Abbas, a suspect in last October's hijacking of the Achille Lauro ship, pass unhindered through its territory to freedom.

US tax debate

US House of Representatives reversed its earlier stance and voted by 258 to 168 to approve a procedural motion permitting a debate on the White House-backed tax reform Bill. Earlier story, Page 4

Appeal denied

The US Supreme Court denied an appeal by accused Nazi war criminal John Demjanjuk and cleared the way for his deportation to the Soviet Union or extradition to Israel on charges of murdering 900,000 Jews at the Treblinka concentration camp.

Ulster by-elections

The 15 by-elections in Northern Ireland will be held on January 23, after the resignations of all the Ulster Unionist MPs in protest at last month's Anglo-Irish agreement.

100 Sinhalese held

Sri Lanka has arrested more than 100 Sinhalese left-wingers accused of having links with northern Tamil terrorists. Page 3

Kidnap fear

US television network NBC fears that two Lebanese employees who live in Christian east Beirut have been kidnapped. They left home for work but did not arrive.

'Crime boss' killed

Paul Castellano, reputed Godfather of the American Mafia, was shot dead by three men in the centre of Manhattan.

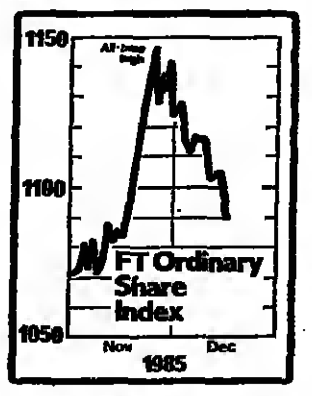
EEC fails to find tin crisis formula

TIN: EEC countries failed to agree on a joint stance over the market crisis, dashing hopes of a quick settlement when the International Tin Council reconvenes today. Page 28

WALL STREET: at 3pm the Dow Jones industrial average was 0.46 down at 1,552.84. Page 34

TOKYO: stocks hit new peaks. The Nikkei average gained 11.9 to a record 13,128.94. Page 34

LONDON: issues lost further ground while gilts made a firmer showing. The FT Ordinary share index dropped 10.4 to 1,089.9 and the FT-SE 100 shed 11.1 to 1,365.4. Page 34



DOLLAR lost ground in London, falling to DM 2.511 (DM 2.523), SFr 2.101 (SFr 2.1125), FFr 7.665 (FFr 7.7175) and Y201.85 (Y202.6). On Bank of England figures the dollar's exchange rate index fell from 127.4 to 126.8. Page 25

STERLING fell 10 points against the dollar in London to $1.437. It was also down at DM 3.6075 (DM 3.6275), SFr 3.02 (SFr 3.0375), FFr 11.015 (FFr 11.0975) and Y290.0 (Y291.25). The pound's exchange rate index closed at 78.5 from 78.8. Page 25

GOLD rose £2.25 an ounce on the London bullion market to $321.75 and was $2.00 higher in Zurich at $321.25. In New York the Comex February settlement was $323.90. Page 24

WEST GERMANY's eight regional stock exchanges are likely tomorrow to approve a plan to improve co-ordination between them. Page 2

DEUTSCHE BANK of West Germany is seeking DM 3.8bn ($1.52bn) for its 10 per cent stake in Daimler-Benz, recently acquired from the Flick group. Page 15

MARLEY, the UK building materials group, confirmed that it is offering for sale its fast-growing DIY retailing subsidiary, Payless for around £130m ($184.6m).

DISSIDENT institutional shareholders in Molins, the UK maker of cigarette manufacturing machinery, crushed plans for a £49.8m ($70.7m) management buy-out, which they believed put too low a value on the company.

CONTINENTAL Illinois, big Chicago bank group which had to be rescued last year, is disbanding its special funding "safety net" provided by leading US banks. Page 15

MANUFACTURERS Hanover, fourth largest US bank group, has unveiled a major reorganisation of its CIT Financial unit involving the creation of five strategic operating units, redeployment of $2.4bn in assets and appointment of a new senior management team. Page 15

BRITISH TELECOM share sale by the UK Government raised less money than it might have done, says an all-party parliamentary report. Page 14

BRITISH AIRWAYS made pre-tax profits of £201m ($289m) in the six months to September, against £189m. It carried 9.5 per cent more passengers. Page 7

BP is to invest $28m in oil exploration in Ecuadorean Amazonia, according to a contract with Cepe, the Ecuadorean state oil company. Page 15

Lawson proposes supervisory board for UK banking

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

A BOARD of Banking Supervision and criminal penalties for bankers who give false information to the Bank of England were proposed yesterday by the British Government as part of its efforts to strengthen the UK banking system and stamp out fraud.

Presenting his White Paper (policy document) on banking supervision in the House of Commons, Mr Nigel Lawson, Chancellor of the Exchequer, said: "An effective system of banking supervision is as important as the banking system itself. For without it there will not be the confidence on which sound banking depends – from the confidence of the individual depositor that his money is safe, to confidence in Britain as one of the foremost financial centres of the world."

Fraud was "a cancer" that must be eradicated, he said.

The White Paper marks the Government's response to last year's near-collapse of Johnson Matthey Bankers (JMB) and the ensuing controversy over the role of the Bank of England. But it will also mould the UK system of banking supervision to changes in the City of London and in the international banking markets.

Many of its provisions are linked to the Financial Services Bill, which is due to be published tomorrow and will legislate regulation of the investment industry.

MAIN POINTS: New Board of Banking Supervision to assist the Governor of the Bank of England; single set of criteria for bank authorisation to replace two-tier system; paid-up capital of at least £5m required for all banks; closer inspection of banks; misreporting to Bank of England to become criminal offence and banks will be required by law to report large exposures; bank auditors to be drawn into supervision process but under guidelines rather than statute; definition of deposits to be amended to take account of new banking instruments.

The new board – one of the few proposals that had not received a prior airing – will advise the Governor of the Bank of England on supervisioo matters and oversee the implementation of the new Banking Act. Its eight members will consist of the Governor, his deputy, the senior Bank of England executive responsible for banking supervision, and five outside members – mainly bankers, lawyers and accountants – appointed by the Governor with the agreement of the Chancellor of the Exchequer.

The Governor may disregard the board's advice, but if he does, he must tell the Chancellor of the Exchequer. The board will also report separately to the Treasury.

That surprise proposal was viewed in the City of London last night as a compromise between the Bank's wish to retain full responsibility for banking supervision, and others in Whitehall who sought to establish a new bank supervision agency, a step the White Paper rejects as too drastic.

The key proposals in the White Paper are intended to boost the authority of the Bank of England. Its power to obtain information from banks will have statutory backing. The document also commits the Government to increasing the resources of the Bank's supervision department.

UK banks will be obliged by law to report exposures to individual borrowers that exceed 10 per cent of their capital.

Commons row, Page 6; Editorial comment, Page 12; Lex, Page 14; Details, Page 18

Zia and Gandhi agree to improve relations

By John Elliott in New Delhi

INDIA AND PAKISTAN yesterday took their most significant step for more than a decade towards improving their fractious relations when they agreed not to attack each other's nuclear facilities and to adopt a "step-by-step" programme of building mutual confidence between the two countries.

At the end of an afternoon of talks in New Delhi Mr Rajiv Gandhi, India's Prime Minister, and President Zia Ul-Haq of Pakistan, announced a series of measures which could transform years of verbal battles and border clashes, interspersed with three wars.

"We have agreed to go step by step in a systematic manner," said a smiling President Zia, sitting next to Mr Gandhi at Delhi airport last night.

He indicated a possible easing in the growing arms race between the two countries when he said that Pakistan would "naturally review its arms purchases" when relations between the two countries were normal.

Asked if an overall agreement had been reached, Mr Gandhi, who is to visit Pakistan in the first half of next year, said: "We cannot jump to the final step without going through a process of confidence building and what we have agreed to take today are various steps in that direction."

The most difficult issues dividing the countries – the disputed northern territory of Kashmir and the details of Pakistan's nuclear policy – are not to be discussed to begin with.

"We are starting off with areas of agreement rather than the disagreements; Kashmir can come at the proper time," said President Zia.

However, tensions have been eased by the agreement, announced by President Zia, that "We have decided and given an undertaking not to attack each other's nuclear facilities." Both countries insist they are engaged only on peaceful nuclear programmes but both of them – and Pakistan in particular – fears an attack by the other on its facilities.

The main confidence-building work will start in two weeks with a series of meetings of ministers and senior officials, culminating in Mr Gandhi's projected visit to Pakistan which will be the first by an Indian Prime Minister since the mid-1960s.

Finance ministers will next month develop a programme of economic co-operation that has already

Continued on Page 14

Assam by-election, Page 3

IFC draws up Third World loan package

BY NANCY DUNNE IN WASHINGTON

THE International Finance Corporation (IFC), the World Bank affiliate designed to boost private investment, is preparing several oew initiatives to boost capitalism in the Third World, one of which is a $50 to $60m fund to invest in the stock markets of developing countries.

The Emerging Markets Growth Fund, due to be launched io March, is one of the foremost projects in what IFC officials say is a new era for the bank affiliate which promotes private investment in the Third World.

Shares of the fund will be placed among a small group of large institutional investors from Europe, Asia and the US. Initially closed ended, the fund has as its principal objective long-term capital growth through investment, mostly in stocks, listed on the public stock exchanges of a number of developing countries.

Generally, the fund would only invest in markets which, in the judgmeot of its manager, meet acceptable minimum criteria covering market liquidity, investor information and official regulations, including fiscal and foreign exchange repatriatioo rules. Stock markets which could be considered for investment include those of Argentioa, Brazil, South Korea, Thailand, Malaysia, Chile and Mexico.

The IFC expects that eventually the amount of the fund will be expanded substantially as the availability of acceptable securities for investment increases. New tranches may be issued through private placements or public issues.

The board of directors would have the option to make the fuod open-ended after its first 3 to 5 years. In order to meet certain stockholders requirements, it may be listed on the Luxembourg stock exchange.

A second initiative, for small and medium-sized African countries, is expected to begin operation oext year. The Africa Project Development Facility, a joint project of the IFC, the Africa Development Fund and the United Nations Developmeot Fund, will provide about $14m to help launch African entrepreneurs.

The facility would provide technical assistance and coosultation in preparation of private projects in response to policy reforms to stimulate growth of the private sector in several sub-Saharan countries.

The UN agency has approved a $2.5m contributioo for the project; The African Development Bank intends to seek approval from its board for $1m; six countries – Belgium, Denmark, France, Germany, Italy and the Netherlands – have pledged additional capital

Another IFC project in the formulation stage, called the management service facility, will employ professional managers and advisers and lend them out to troubled commercial firms in Africa, both to manage and advise local personnel.

Petrofina makes agreed bid for UK oil company

BY DOMINIC LAWSON IN LONDON

PETROFINA, Belgium's largest industrial company, has launched an agreed bid, worth £145m ($208m) for Charterhouse Petroleum, a leading UK oil exploration company.

The offer, of three shares in Petrofina and £59 cash for every 295 Charterhouse shares, is the first time that a leading international oil company has bid for a UK-quoted oil company.

The London stock market was surprised yesterday that Charterhouse directors, who had built up a well diversified North Sea company in 10 years, should agree to being taken over only hours after receiving a bid approach by Petrofina.

Mr David Roberts, Charterhouse's financial director, said yesterday: "There is a time to build companies and a time to sell companies. In this oil market it is quite clear that we could have continued only by shedding staff and assets. There would have been a slow dismantling of the edifice, with the original six staff back in the original office, but 10 years older."

Mr Tony Craven Walker, chief executive of Charterhouse, said: "We formed the view that the oil market would get a hell of a lot worse. Over the next year the UK independent oil sector could be decimated. It is our duty to recommend an offer like this to our shareholders."

Mr Pierre Jungels, chief executive of Petrofina UK, said that his company bid for Charterhouse, not only because it had a wide spread of North Sea assets which did not overlap with the 37 blocks licensed to Petrofina, but also because it wanted to use Charterhouse's proven abilities as an operator in the North Sea.

The UK Department of Energy has the ability to revoke the licences that Petrofina intends to get from Charterhouse if it does not want to see UK-owned North Sea assets fall into foreign hands. Last year, the department warned BHP of Australia off any attempt to bid for Lasmo, a UK oil company.

The department said yesterday that it needed time to consider the Petrofina bid, but it seems most unlikely that it would thwart a bid by a company from within the European Community

Oil analysts said that Charterhouse had been seeking a merger with a larger oil company since its attempted £188m merger with Saxon Oil in July was foiled by an all-cash counter-bid from Enterprise Oil.

On Monday, Charterhouse's shares closed at a new low of 66p. When the bid was announced yesterday morning the shares jumped to 100p, the value of the all-cash component of Petrofina'a bid

Lex, Page 14; News analysis, Page 20

Latin Americans outline debt plan

BY JIMMY BURNS IN MONTEVIDEO

LATIN AMERICAN debtors have agreed on a wide ranging counter-proposal to the Baker plan for Third World debt. The counter-proposal does not sabotage the plan, formulated by US Treasury Secretary, Mr James Baker, in Seoul in October, but is bound to complicate its implementation.

This emerged yesterday as Finance and Foreign ministers from 11 countries, the Cartagena Group, met for what were expected to be the final hours in a two day economic summit exclusively devoted to forging a common front on the Baker plan.

But officials confirmed that the ministers would not alter substantially the broad consensus already reached at technical level that the Baker plan, while a step in the right direction, provided insufficient funds to stimulate growth over the next three years in a regioo whose total foreign debt exceeds $350bn.

Instead, the ministers were expected to press for additional measures intended to arrest the negative transfer of resources from Latin America to industrialised nations.

The main measures broadly agreed are:

- Commercial banks should commit themselves to boost lending levels beyond those contemplated by the Baker plan. The annual increase in their exposure over the

Continued on Page 14

Bankers set date of acceptance for Westland rescue package

BY LIONEL BARBER AND PETER RIDDELL IN LONDON

A RESCUE package for Westland, the troubled UK helicopter manufacturer, is expected to be formally signed and underwritten by City of London institutions tomorrow, Lazard Brothers, merchant bankers advising the company, said yesterday.

The European helicopter industry would be seriously weakened if Sikorsky and Fiat bought a stake in Westland, the chairman of Italy's Agusta said yesterday. *Details, Page 2*

The rescue will involve Sikorsky, the US helicopter maker, and Fiat of Italy injecting around £30m ($43m) for a 29 per cent stake in Westland, coupled with a heavy rights issue for existing shareholders. National Westminster Bank and Barclays, Westland's two principal bankers, have agreed to exchange their debt into convertible preference shares.

The deal, supported by the Westland board, is still subject to shareholders' approval. But it will create a new, recapitalised company, thus casting doubt on the viability of the European counter-proposal strongly favoured by Mr Michael Heseltine, the UK Defence Secretary.

Mr David Horne, director of Lloyds Merchant Bank advising the European consortium, said: "It does put us at a disadvantage, but it is not the end of the day."

The European consortium which includes British Aerospace, Aerospatiale of France, Agusta of Italy and Messerschmitt-Bölkow Blohm of West Germany, intends to send a circular to shareholders outlining its own rescue package when it has examined the Sikorsky-Fiat plan. But Mr Horne said the Europeans had been hampered by a lack of information and by the refusal of Westland bankers to enter into negotiations. A meeting with the banks last week proved fruitless, he said.

Details of the Sikorsky-Fiat plan been circulated to a small oumber of institutional shareholders in Westland. One institution described the proposals yesterday as "attractive and encouraging."

Oo Monday, several shareholders in the City, and United Scientific Holdings, the UK defence contractor, said they backed Sir John Cuckoey, Westland chairman, in his decisioo to accept the American-Italian offer. They expressed disquiet over Mr Heseltine's campaign to press for a European solution over the heads of the Westland board, although they said they remained open to a firm offer on the table.

Westland shares are suspended at 80p, valuing the helicopter maker at around £35m. The new shares

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EUROPEAN NEWS

Westland's action angers Agusta

By James Buxton in Rome

THE EUROPEAN helicopter industry will be seriously weakened if the partnership of Sikorsky of the US and Fiat of Italy buys a stake in the ailing British company, Westland, according to Mr Raffaello Teti, the chairman of Agusta, the Italian helicopter manufacturer.

He sai dthat the rival bid by European aerospace companies including Agusta still had a chance of success. "I don't know what will happen" he said in an interview, "but our bid has been strengthened by the participation of British Aerospace and now of GEC.

The original members of the consortium were Aerospatiale of France and MBB of West Germany, as well as Agusta.

Mr Teti expressed considerable resentment at the way the European consortium's efforts to rescue the company had been treated by Westland's board and, in particular, by its chairman, Sir John Cuckney.

"The world helicopter industry is going through very difficult times," he said. "yet these European companies, not all of which are in the best of health themselves, rushed to the bedside of Westland as a gesture of friendship. But Westland did not respond in the way one would have expected.

"While Sikorsky and Fiat were allowed to examine Westland's books, we were excluded. We could not make our own valuation. It was an unequal contest," he said.

"Just one hour after we handed in our bid to Westland they announced that they were accepting the Sikorsky offer. They couldn't have read it in that time.

"Now we read that Mr Leon Brittan (the British Trade and Industry Minister) told the House of Commons triumphantly that Sikorsky and Fiat could take up to 40 per cent of Westland. Sir John Cuckney told us we could only go up to 29.9 per cent. Yet we, too, put an offer to go up to 40 per cent in our bid document.

"We also said that if Westland recovered we would be prepared to pull out again to leave it independent. I do not think that will happen with Sikorsky and Fiat. Their 40 per cent will be overwhelming."

Mr Teti said he knew of no suggestion by Fiat that Agusta would be welcome to join the Sikorsky-Fiat partnership in bidding for Westland. "This would not be possible. They know we are part of the other consortium."

He rejected any suggestion that the European consortium bid was a weak one because of Agusta's heavy borrowings. "We got the agreement of our Government to back it in record time," he said.

Mr Teti who became chairman last year, said the presence of Sikorsky in Westland would have a "polluting" effect on the European helicopter industry.

Westland would lose the capacity to design its own helicopters. "Research and development will decline." Nor would it be able to participate in the NH90 project for a Nato helicopter for the 1990s, since it would be building the Sikorsky Black Hawk, the US rival.

Mr Teti was confident that Sikorsky would respect existing agreements between Westland and Agusta on two major helicopter projects which constitute the developing Anglo-Italian axis in the industry.

"We have had no contact with Sikorsky, but we do not need assurances on the future of the EH101 naval and utility helicopter (which is designed to come into service in the 1990s). We own 50 per cent of European Helicopter, a London based company, which will build it and Westland owns the other 50 per cent. This contract will have to be respected."

"There is also an agreement between the British, Italian and Dutch governments and their respective aerospace companies to develop a multi-role combat helicopter based on our own Agusta A129 Mongoose anti-tank helicopter. This concerns Westland. I don't think that Sikorsky has an interest in withdrawing from this agreement."

Go-ahead expected for W. German stock exchanges reform

BY JONATHAN CARR IN FRANKFURT

A LONG-AWAITED move to improve the efficiency and co-ordination of West Germany's de-centralised stock exchange system is expected to be approved at a meeting near Frankfurt tomorrow.

Senior representatives of the eight regional exchanges are likely to give the go-ahead to a "mini-reform" plan, although some are known still to have misgivings.

Under the scheme, the loose "working group" of the exchanges will be upgraded to a fully-fledged association with a permanent headquarters (Frankfurt) and president. This body will carry out major tasks presently duplicated by the eight, handle legal and technical issues and generally represent the interests of the exchanges at home and abroad.

The move is aimed at helping prevent the fragmented West German stock market falling further behind the international competition—above all of New York, Tokyo and London.

But although the changes planned look modest, they have been preceded by months of regional squabbling which at one time seemed to threaten prospects for any reform. Only a joint initiative last month by four leading Frankfurt-based banks—determined to have a decision before the end of the year—succeeded in plucking the discussion out of the mire.

The smaller exchanges have long feared that their status, and even their existence, could be endangered by the growing predominance of Frankfurt and Duesseldorf, which together accounted for more than 80 per cent of market turnover last year.

Under the new plan all eight exchanges will be maintained. But it is understood that voting procedures in the new association will give Frankfurt and Duesseldorf decisive weight.

Norwegian budget crisis averted

By Fay Gjester in Oslo

AN ELEVENTH hour compromise between the leaders of Norway's Conservative Party and the maverick, rightist Progress Party has averted the danger of a government defeat when the Storting (Parliament) votes on the revised budget for 1986 later this week.

The Conservatives are the dominant partners in a three party, right-of-centre coalition which, lacking a parliamentary majority normally depends on the two Progress Party MPs to get its measures through the Storting.

Kare Willoch, Conservative Prime Minister, had warned that if these two voted with the Labour and Socialist left opposition on the issue of budget changes his Government would resign.

The final vote on the revised budget, originally due to be held yesterday, has been delayed until tomorrow to allow extra time for bargaining between the Conservatives and Mr Karl I. Hagen, leader of the Progress Party. Monday night a deal was struck in time for the evening news on Norwegian TV.

Mr Hagen had been seeking two concessions from the Government, one political and one budgetary. He wanted recognition in a statement by the Prime Minister of his party's key role in keeping *the minority Government* in power. This Mr Willoch could not grant, because the two junior partners in his coalition—*the Christian Democrats* and Centre Party—refused to accept any formal link with the Progress Party.

Instead, Mr Hagen and Mr Willoch agreed on a form of words to which Christian Democrats and Centre Party leaders could subscribe: "In the opinion of the majority . . . (of the Storting) . . . the composition of the Storting is such as to entail the continued non-Socialist Government."

On the budget, Mr Hagen wanted acceptance by the Government of several of the extra allocations — totalling just over NKr 1bn (£90.4m)—provisionally approved by the Storting over the past two months. The Government had agreed to boost expenditure *by around half the figure proposed*—to a budget total of about NKr 222.9bn—but Mr Hagen and the Labour/Socialist opposition claimed this was inadequate.

Last night's compromise will add a further NKr 201m to *next year's expenditure*—slightly more than the amount demanded by Mr Hagen. In effect, the Progress Party has been compensated in cash for what it could not be given politically.

Swiss banks adopt a cautious approach to Baker debt plan

BY WILLIAM DULLFORCE IN GENEVA

THE SWISS banks have agreed in principle to participate in the Baker plan to ease the developing countries' debt crisis but they want several technical details clarified before they will sign up.

"We think the approach is right. The change in Washington's attitude to the debt crisis is welcome and we hope the plan can be effective," Dr Hans Mast, executive vice president of Credit Suisse, said yesterday.

The plan launched in October by Mr James Baker, the US Treasury Secretary, calls for commercial banks to lend $20bn (£14.2bn) in fresh money to the 15 most indebted countries over the next three years. The World Bank and the Inter-American Development Bank would lend a similar amount.

The US had asked for pledges from the commercial banks by the middle of December. US, Canadian and Japanese banks indicated their support but in Western Europe only the British and French lined up in time.

The three big Swiss banks—Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse—are now understood to have agreed among themselves that they should not remain aloof, although initially senior executives grumbled about being bulldozed by the US into risking funds without proper commercial assessment.

One reason for the Swiss banks' readiness is that just over $8bn their present exposure to the 15 indebted countries, is relatively small. If contributions to the Baker plan are to be measured by current lending, they would be asked to provide a modest $400m spread over three years.

A letter of intent has been drafted by Mr Franz Lutolf, president of Swiss Bank Corporation's executive committee, but the Swiss bankers want some questions answered by the US Treasury before they send it.

One concerns the definition of "new money." The Swiss capital market generates substantial amounts in issues for the World Bank and other international development institutions. Would they count as new Swiss money?

If a developing country or one of its institutions comes to the Swiss market in its own right to launch a new issue, would that be seen as a contribution to the Baker plan?

The procedure under which commercial bank lending is to co-ordinated with that of the International Monetary Fund, the World Bank and international development banks needs elucidating, the Swiss bankers feel.

They are discussing these questions with other European bankers, in particular with the West Germans, who have also so far failed to back the Baker plan.

Turks try to push home US aid request

By David Barchard

THE EXPIRY today of Turkey's defence agreement with the US leaves negotiations still in the air over Ankara's request for aid worth $1.2bn anually over a decade.

The request is significantly higher than last year's US contribution of $714m, and reflects Turkey's position as the third largest recipient of American aid after Israel and Egypt.

The Turks are not adverse to reminding their US and European allies of their strategic value on the Nato front line bordering the Soviet Union and Bulgaria, especially now that political developments in neighbouring countries have emphasised Turkey's relative stability. Compared with the Middle East, the country is a model of calm while the radical stance of the Greek prime minister, Mr Andreas Papandreou, has made it easier for the Turks to counter the Greek lobby in Washington.

But Turkey's relations with the US are not all a bed of roses, despite the Reagan-style economic policies of Mr Turgut Ozal, the Turkish Prime Minister. Mr Ozal recently attacked US protectionist measures against Turkish textiles and steel as hypocritical coming from a self-proclaimed bastion of economic freedom, and particularly unfair while Turkey is running a $830m trade deficit with the US.

According to some reports, Turkey's European allies, led by West Germany, may help provide some of the cash needed to modernise Turkey's armed forces.

The Turks set great store by *their European connections;* they regard their membership of the Council of Europe, with all its irritations, as a badge of their European identity and a stepping-stone to ultimate EEC membership.

That goal is however a long way from realisation for both economic and political reasons. Turkey's per capita income remains well below that of the poorest EEC member state, and Turkish industries (with the possible exception of textiles) are still too small to withstand unfettered European competition.

Turkey's 20-year-old association agreement specifically foresees eventual Turkish membership of the Community, but the association's ministerial and parliamentary committees have not met for five years.

These unresolved issues are aggravated by disputes arising out of Ankara's *demand* for freer market access for Turkish textiles, and over the free migration of Turkish workers in Europe and by its resentment at the continuing four-year ban on EEC aid imposed because of concern at its human rights record under the former military regime.

The atmosphere became particularly strained in June, when the EEC warned the Turkish Government that if it passed proposed police legislation, relations would deteriorate even further. The Community's representative in Ankara, Mr Gwyn Morgan, has since spelled out the conditions for unfreezing the Association agreement and resuming aid to Turkey.

The Government must terminate the long-running trials of trade unionists and peace campaigners, and permit complete freedom of political association — including trade union membership.

Turkish officials insist that substantial improvements in human rights have been effected: over 100 security officers implicated in torture charges have been imprisoned. The EEC, it is claimed, is using human rights as a cloak to avoid discussion of the awkward economic issues which should really be addressed.

When the Association agreement was originally drafted in 1964, discreet American pressure contributed to the idea of eventual full membership, since the US has never been anxious to see its relations with Turkey become too overtly bilateral.

Despite the difficulties it is experiencing with the US and complaints of rejection by Europe, Turkey remains firmly anchored to the West. Its hopes of eventually joining the European Community depend on attracting sufficient foreign investment to finance growth to bring Turkey up to higher level. But considerable political evolution will also be necessary.

French employers call for end of price controls

BY DAVID HOUSEGO IN PARIS

THE FRENCH employers' association said yesterday that the lifting of price and foreign exchange controls should be among the first measures taken by a new government next March.

Though not explicitly backing the opposition, the employers made clear at their annual general meeting yesterday that they hoped for *a right-wing victory* in the spring general election. The gathering coincided with the publication *of a newspaper poll showing* that 67 per cent of chief executives questioned favoured the parliamentary Right and that 73 per cent wanted President François Mitterrand to stand down if the opposition wins.

Mr Yvon Gattaz, president of the CNPF employers' association, said afterwards that the performance of the economy was "precarious, if not mediocre."

Among other measures which the employers want carried out in the first four months of a new government's term were: abolition of the requirement that redundancies must have prior government approval; abolition of wealth tax; an initial 33 per cent cut in the *tax professionnelle* (a type of payroll tax); and budgetary support for the building industry.

Measures which the CNPF propose should be got under way by the end of next year include: denationalisation; cuts in social security spending; a reduction in corporate taxation from current rates of 50/45 per cent to 33 per cent; and lowering the marginal rate of income tax to 50 per cent.

Italy to reduce capacity at Finsider steel plant

BY OUR ROME CORRESPONDENT

ITALY yesterday told the EEC Commission that it will close down 800,000 tonnes of steel-making capacity at the Bagnoli plant of Finsider, the state-owned steel company. It is doing so in order to comply with the Commission's terms for giving the Government permission to hand over L3,342bn (£1.35bn) by new subsidies to Finsider.

The Italian Government's decision, conveyed in a telex to the Commission from Mr Renato Altissimo, the Industry Minister, and Mr Clelio Darida, the Minister of State Shareholdings, is a direct consequence of the failure of negotiations aimed at achieving a transfer of steel-making quotas from the Italian private sector to Finsider.

An elaborate deal was being negotiated between the private sector company Falck and Finsider, under which Falck would close capacity near Milan and the production quota would go to the Bagnoli plant near Naples. This would have enabled it to raise its production from 1.2m to 2m tonnes a year, allowing it to reach an economic operating level, but the deal fell through.

Bulgarian growth

The Bulgarian economy, suffering from a serious drought, showed only minimal growth this year in national income, the equivalent of GNP minus services, writes Leslie Colitt. Agricultural production was down 9 per cent.

Hungary joins criticism of inefficiencies in Comecon

BY PATRICK BLUM IN VIENNA

HUNGARY HAS *added* its voice to Soviet criticism of poor production and co-ordination within Comecon arguing *that this* has led to serious inefficiences in the Communist bloc market.

As prime ministers from the *10 Comecon states met yesterday* in Moscow to co-ordinate their five-year plans, Hungary's semi-official newspaper Magyar *Hirlap* bluntly outlined *some of* the Comecon's shortcomings.

The slow-down in economic growth and unsatisfactory performance of the Comecon economies were an indication "that the possiblities inherent in the economic integration of the *Socialist* community should be utilised in a far more expedient manner than so far," it said. This was especially true for *high and new technologies.* As an example of poor performance, it pointed out that high technology accounts for only *10-15 per cent of exchanges,* between Comecon members.

Individual countries tended to put their own interests before co-operation, the newspaper claimed. It referred to recent studies which attribute "deficiencies in production specialisation to an excessive pursuit of self-reliance in the member countries which leads to frequent duplications."

Magyar Hirlap said that Comecon must *improve* its overall economic performance if it was to avoid technological dependence. It also called for *streamlining financial* structures. "Not only must appropriate objectives be outlined, but the system of interest and *financial conditions must* also be improved."

Patrick Cockburn adds from Moscow: The Soviet Union will emphasise joint development projects at the Prime Ministers' meeting here. Moscow is eager to rely as much as possible on its *East European allies* for imports of machinery during its next five-year plan which starts at the beginning of 1986.

Five high technology areas to be discussed are electronics and computers, automation and robots, atomic energy, new materials such as polymers and biotechnology, say Comecon officials.

The Soviet Union also wants East European involvement in projects such as the development of the Yamburg gas field in west Siberia from which East European states benefit.

Iraq leader ends talks in Moscow

IRAQ'S President Saddam Hussein, one of the Soviet Union's closest allies in the *Middle East, completed talks* in the Kremlin yesterday at the end of which President Andrei Gromyko called for a political *settlement* to the Iran-Iraq war, writes Patrick Cockburn in Moscow.

The Soviet Union is Iraq's main weapons supplier in the war and continuing military support is crucial if President Saddam Hussein is to repulse an *Iranian* offensive expected soon.

Of the almost $8bn worth of Soviet arms exported to the Third World in 1984, a substantial amount went to Iraq. Part may be on credit but the $819m worth of oil imported by the *Soviet Union from Iraq* and $358m worth from Saudi Arabia last year were largely in payments for weapons deliveries, *say diplomats.*

Honecker for China

China has *invited* Mr Erich Honecker, the East German leader, to visit Peking, according to East European diplomats, *reports Leslie Colitt in Berlin.* It would be the first such visit by a Warsaw Pact leader since the political rift between China *and* the *Soviet Union* in the early 1960s.

Romania food move

Romania has set up a ministry to improve food supplies and deal with food shortages, writes Patrick Blum in Vienna. It will be headed by Mr Gheorghe Pana, a member of the Communist party executive. The country has suffered recurrent food shortages. A severe drought has hit agriculture and supplies were short throughout last winter. After an improvement in the summer, shortages of basic foods have resumed.

Athens pledge on drachma

BY ANDRIANA IERODIACONOU IN ATHENS

GREEKS WERE urged yesterday to ignore persistent rumours of a further devaluation of the drachma. Such a move would not be consistent with the Socialist Government's 16 per cent inflation target for next year, according to Mr Costas Simitis, the Economy Minister.

The devaluation rumours were being floated deliberately to promote foreign exchange speculation, he said in a broadcast statement. When the drachma was devalued by 15 per cent last October as part of an economic stabilisation package designed to reduce public sector and current account deficits, sales of imported consumer durables soared and Greeks tried to convert local currency into foreign exchange at almost any cost. The black market rate of the US dollar is said to be some 25 per cent higher today than the official rate of about Dr 150.

EEC remains firm on Efta duty-free demand

BY PAUL CHEESERIGHT IN BRUSSELS

THE European Community is not prepared to back down from its demand that Spanish and Portuguese industrial exports should be given duty-free access by the countries of the European Free Trade Association (Efta).

Foreign ministers meeting in Brussels yesterday contented themselves with an instruction to the Commission to show more flexibility and ingenuity in its talks with the Efta countries but refused to shift from their basic position.

The question of how to change the network of trade agreements linking the Community and the Efta countries to take into account the accession of Spain and Portugal to the Community is producing unusual coolness between the two blocs.

Portugal leaves Efta when it becomes a member of the Community. The other Efta members are Austria, Finland, Iceland, Norway, Sweden and Switzerland. The Community and Efta make up an industrial free-trade zone of more than 300m people.

Difficulty arises because the Community seeks duty-free access for Spanish products in Efta after January 1 1986 when the Ten themselves have a transitional period to lower their tariffs.

At the same time, Efta is being asked to accept only a gradual lowering of the Spanish tariff.

Greens seek resignation over German spy probe

WEST GERMANY'S radical Greens party, angered by revelations that its Members of Parliament were investigated by the West German counter-intelligence service, yesterday demanded the resignation of Mr Friedrich Zimmermann, Interior Minister, Reuter reports from Bonn.

The Greens, who have called a special sitting of the parliamentary home affairs committee today to discuss the affair, also called for all secret files on Greens and other deputies to be made public, then destroyed.

At a news conference in Bonn, Greens members made much of the fact that it was a member of the right-wing Bavarian Social Union (CSU), their political opponents, who had sought the investigations.

The counter-intelligence service revealed last Friday that it had been ordered by Mr Zimmermann's ministry to investigate the Greens party for possible links with terrorists and extremists.

Mr Zimmermann and Mr Carl-Dieter Spranger, his deputy, who ordered the investigation, are both CSU members.

"We demand that Zimmermann resign and Spranger be fired," a Greens statement said.

The weekly magazine Stern reported on Monday that the service also kept files on deputies of the opposition Social Democratic Party (SPD).

Basques call for strike over detainee's death

BY DAVID WHITE IN MADRID

BASQUE political parties and several trade union organisations have called for general strike protests today in the Spanish Basque country and in the neighbouring province of Navarre to press for further explanations on the death of detainee Mr Mikel Zabalza.

The strikes, which are expected to have the most impact in the radical Basque stronghold of San Sebastian, are due to go ahead despite the release yesterday of the results of a post-mortem examination apparently supporting the official version of Mr Zabalza's death.

The report found the cause of death to be drowning, with no signs to indicate that Mr Zabalza was tortured, as has been alleged by several sources including the dead man's family.

Mr Zabalza's body was found in the River Bidasoa in northern Navarre on Sunday. This was close to where members of the paramilitary Civil Guard said he gave them the slip almost three weeks previously, after he was held under the controversial detention provisions of Spain's anti-terrorist law.

The Civil Guard said the suspect, who was handcuffed, escaped through a hole in the wall of a tunnel where he had led them to believe an arms cache was located.

Parties and unions which have issued strike calls range from the moderate Basque nationalists of the PNV, the ruling party in the region, to the ETA sympathisers of Herri Batasuna (popular unity).

Lisbon sacks board of state television

PORTUGAL'S new centre-right Government yesterday sacked the state television's management board, citing recent coverage of a guerrilla news conference as one reason for the move, Reuter reports from Lisbon.

The Cabinet, in a statement, also accused Radio Televisao Portuguesa (RTP) of financial mismanagement.

Several invited reporters including a television crew attended a briefing last Thursday by three members of Portugal's FP-25 guerrilla group which has claimed responsibility for several bombings and killings over the past five years.

Clips of the news conference were shown during the mid-evening television news.

This week's arrests of several suspects may not reassure many people, reports **Ivo Dawnay** in Brussels

Belgian terror campaign highlights police ineptitude

THE DRAMATIC arrest of four key terrorist suspects in Namur's aptly-named *Rue de l'Inquietude*, or street of unease, 30 miles south of Brussels on Monday will help relieve the tension that has gripped Belgium over the past 15 months.

But the savage outbreak of violence, including bomb attacks, armed hold-ups on post offices and, most terrifyingly, apparently motiveless supermarket raids that have left 16 dead this autumn, may not yet be at an end.

Whatever the jubilant headlines in the press, the unease over the efficiency of Belgium's security services is likely to persist along with the 750 commandos drafted on to the streets.

Until this week, Belgium's police were gaining a reputation like that of Inspector Clouseau.

Since October last year, the Fighting Communist Cells (CCC) group had carried out 27 bombings against banks, large companies and Nato installations with impunity.

Their alleged leader, Mr Pierre Carette, a 32-year-old printer whose clients are said to include supporters of West Germany's Red Army Faction and France's Action Directe, had until Monday moved freely in and out of the country. The failure of the police to track down the fugitives has fuelled the imagination of the conspiracy theorists.

Respected criminologists such as Professor Lode Van Outrive of Leuven speculated that the CCC's ill-written left-wing propaganda could be a cover for a right-wing plot to force the Government to strengthen the police.

But the truth may be more prosaic and the CCC may simply be modelled on other Western European terrorist groups. The so-called Brabant Gang, who since 1982 have gunned down 22 people in a series of supermarket raids, are a different matter, however.

Each of their raids has been conducted with military precision and a staggering contempt for human life. Whole families have been cut down with shotguns at the check-out tills, a 12-year-old boy was shot dead on his bike and a wounded policeman executed with a bullet through the back of his head.

Attempts to connect the Brabant killers with the CCC have been largely rejected by the police, who have noted that the CCC has tried to avoid endangering human life. But the commando-like raids of the Brabant gang and their lack of interest in money — the last attack, in which eight died, netted just £2,500 — have not discouraged speculation that political extremism could be a motive.

For those less inclined to conjecture, the most serious questions have centred on Belgium's internal policing arrangements, which suffered the glare of international attention when last summer's football riot at Heysel stadium left 39 dead.

In effect, Belgium has three police forces, the judicial police who look after criminal investigations and are responsible to the Ministry of Justice; the local communal police, in 587 quasi-autonomous forces, reporting to the Interior Minister and the national paramilitary gendarmerie who report to both these Ministries, and the Defence Department as well.

The divisions of responsibility have provoked rivalry, recrimination and buck-passing with numerous comic occasions when one force has accidentally arrested members of another. But there have been tragic consequences too, not least the Heysel incident.

An unedifying political furore followed the riot, centred largely on a row between the Interior and Justice Ministers over who should take the blame. The result was a draw. Despite recent elections both men still occupy the same chairs because of the complexity of coalition politics.

The rivalries that have prevented the creation of an effective, integrated police force, with powers to anticipate, as well as investigate crime also operate at local political level. More than half the politicians in Parliament double as mayors and jealously guard their right to run a police force and their patronage over its top jobs.

The result is that only five forces in the country operate the same radio frequencies as their local, parallel divisions of the gendarmerie. The Flemish-French language divide also provides a major loophole for criminals.

An audacious 20-minute raid by the Brabant Gang in September hit one supermarket in a Flemish Brussels suburb and then one in a French-speaking quarter before communications between units had gone into action and an alert was put out.

Yesterday Mr Jean Gol, the Justice Minister, heartily congratulated the three police forces for their co-operation with the state security forces and forensic scientists, so as to bring about Monday's arrests. The breakthrough will not advance Mr Gol's efforts to create a permanent, centralised police group, which have been thrown out by his Cabinet on the unspoken grounds that he is empire building.

Nevertheless, the police success will undoubtedly delight the CCC's victims—Nato, its corporate suppliers, the banks and their hard-hit insurance companies. But for the average Belgian shopper, the continuing presence of barbed wire barricades and heavily armed gendarmes, is hardly a source of reassurance.

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OVERSEAS NEWS

Gandhi party suffers setback in election for Assam assembly

BY JOHN ELLIOTT IN NEW DELHI

MR RAJIV GANDHI'S Congress I party last night appeared to have done less well than it hoped in Monday's mini general election, losing seats in a series of by-elections and failing to achieve an early majority for the state assembly in the north-eastern state of Assam.

Coming a year after Mr Gandhi was swept to power in a general election landslide, this could be interpreted by critics both within and outside his party as a warning that his attempts to modernise India rapidly are leading to resentment among the electorate. But he still has a majority of more than two-thirds in the Indian parliament and his mandate to govern is not affected.

In Assam Mr Gandhi successfully negotiated e settlement for the state's disputes over refugees which led to peaceful elections on Monday. It is nearly three years since more than 3,000 people were killed in the state'e last elections.

Last night it appeared that the Assam Gana Parished, the Assamese people's party formed by students who led the agitation over the refugees, would win more seats than Congress I. Whichever party forms a government will have to implement the peace agreement.

The agreements involve the deportation from Assam of alleged refugees who heve come to India from Bangladesh, which in turn denies it has allowed any illegal refugees to cross its borders into Assam.

Despite the reverses for Congress I, Mr Arjun Singh, former governor of Punjab and now Commerce Minister in Mr Gandhi's Government, was leading in the vote-counting in o New Delhi by-election and was heading for his seat in the Indio parliament's lower house, the Lok Sabha.

● A one-man judicial inquiry set up a year ago to inquire into the Union Carbide gas leak of Bhopal, where more than 2,000 peopla died, was wound up yesterday by the state government of Madhya Pradesh.

Sri Lankan police arrest 100 left-wing Sinhalese

BY MERVYN DE SILVA IN COLOMBO

SRI LANKA'S political trouhles have taken a distinctly new and possibly dangerous turn with the arrest of over 100 Sinhalese left-wingers occused of baving "links with the northern (Tamil) terrorists."

Opposition eircles say that the number is nearer 200 and that the crack-down is the start of a "witch-hunt" against parties of the left. What bas shocked the opposition is that the suspects have been datained not only under emergency regulations hut under the Prevention of Terrorism Act.

The Appeal Court has issued notice on the inspector general of police, Mr Cyril Herat, and the head of the CID, in a habeas corpus application filed by the wife of the most prominent detainee, Mr Indika Gunawardene. He is the brother of Mr Dinesh Gunawardene, MP, the leeder of a small radical opposition party, MEP, which is also a stringent champion of Sinhalese-Buddhist majority interests.

Their fether, the late Philip Gunawardene, was the founder of the Marxist movement in Sri Lanka and served as a Cabinet minister under both Premier Solomon Bandaranaike and Premier Dudly Senanayake. Mr Indika Gunawardene's wife is a respected doctor and her brother a superintendent of police. In view of this family background, the detention has startled middle class opinion in Colombo.

Influential monks, Christian clergymen and leading academics and professionals have launched a campaign for the release of political prisoners.

What is most disturbing is that many of the suspects are said to be members of e breakaway faction of the JVP which launched the 1971 bloody uprising of Sinhalese youth. The revolt came from the island's deep south, the home of Sri Lankan leftism. The new "north-south" connection, if it is true, gives the Sri Lankan crisis o new dimension.

Limpet mine explodes in Durban bus garage

By Anthony Robinson in Johannesburg

THE SPATE of bombings and landmine explosions which has afflicted South Africa in the last few weeks continued yesterday when a limpet mine exploded at a bus garage near Durban in the early hours of the morning, destroying nine buses and causing extensive damage.

It was the third such explosion in the Durban area over the last 10 days and follows similar incidents in Johannesburg and Durban over the last three months.

Meanwhile, local military commanders from both Zimbabwe and South Africa met yesterday to discuss preventing Zimbabwean territory being used either as a transit route or refuge for African National Congress guerrillas. This follows South African allegations that the landmines which have caused seven deaths and 11 injuries in an area close to the frontier over the last three weeks were placed by guerrillas whose tracks were followed to the Limpopo River.

A spokesman for the Foreign Ministry confirmed yesterday that the South African trade representative in the Zimbabwean capital of Hararo yesetrday emphasised to officials the serionsness with which the South African Government views the latest incidents.

South Africa has threatened to mount hot pursuit raids across the border if future incidents occur, and tho meeting between the local commanders implies that Zimbabwe is taking the threat seriously and is prepared to discuss co-operation.

● Police announced that ten blacks were killed on Saturday in two separate incidents of faction fighting in the Greystown area of Natal and Pinetown in the suburbs of Durban.

A potentially explosive situation also appears to be building up in the remote rural area of Moutse, 100 kilometres north-east of Pretoria where 120,000 North Sotho speaking people are threatened with incorporation into the Ndebele speaking homelands of Kwandebele

Mary Ann Fitzgerald reports on the prospects for a country torn by war

Leaders' suspicions cloud Uganda peace

UGANDA'S RULERS ere feced with the greatest challenge yet in the country's 22-year qnest for peace. In order to achieve national unity, they must not only put aside their own feelings of mutual animosity, but also overcome deep-seated political and tribal differences in the country which have been exacerbated by military atrocities.

The long-awaited peace pact, signed yesterday, appears straightforward, hut is fraught with obstacles. Analysts have described it as a military solution in political trappings and fear that its implementation may be jeopardised by tha overt suspicion that exists between Gen Tito Okello, the head of state, and the National Resistance Movement (NRM).

At the signing ceremany between the two parties, Mr Yoweri Museveni, the NRM leader, lambasted Gen Okello for the murders perpetrated by his unruly troops and blamed him for the hloodshed that has caused the death of over 1,000 Ugandans since the July coup.

"The violation of human rights that has gone on in Uganda is eimply beyond belief. We are not going to stop until the people who are responsible for this massive homicide are orought to book," he warned. This outburst underlined the enmity that exists between the NRM's Bantu supporters, who come from the south, and the predominantly Nilotic eoldiers of the Uganda National Liberation Army led by Gen Okello, who come from the north.

Mr Museveni's intransigence during the four months of telks casts doubt on his stated desire for a political, rether than e military solution.

Observers at the negotiations said it appeared thet Mr Museveni was stalling for time to see if his troops might gain a military edge that would give the NRM full control of the conntry. Several times he has threatened to march on Kampala, the capital, if the peace talks diaintegrated, and a senior Kenyan official yesterday confirmed that he had earlier recelved military assistance from Libya.

About one-third of Ugandan territory, primarily in the west and southwest, has bean in NRM hands since October, and earlier this month Masindi, the third large town to fall to the NRM, was captured in an assault that reportedly met little resistance.

Whether or not Uganda will achieve its much sought-after internal reconciliation hinges on the formation of the new military force that will replace the discredited Uganda National Liberation Army.

It is to be composed of 3,700 UNLA soldiers, 3,580 NRA troopa and 400 men from each of the other three smaller rebel groups that once waged bush wars against the regime of Dr Milton Obote, deposed in the July coup by Gen Okello.

Before recruiting can begin however, the new Government faces the formidable task of collecting the guns of an estimated 50,000 men now under arms. Most of these men will have to be returned to civilian life, at a time when Uganda's economy is almost bankrupt. Donors have estimated the country needs about $400m a year in aid to set it back on its feet.

Mr Museveni made it clear yesterday that he intends to abide by an NRM proviso that no soldier who has committed a crime against the people be recruited into the new force. The dilemma of identifying those who have done so is virtually insoluble.

Britain plans to instal a military advisory team of about 15 men, headed by Maj Gen Anthony Pollard in Kampala next month. They will help with the disarming of soldiers and the recruiting of the new army under the aegis of a Government-appointed committee.

Mr Museveni has made considerable headway in his pursuit of legitimate political power, but his gains still fall short of controlling the military.

He has failed to win the defence portfolio, which has gone to Lt Gen Basilio Okello, commander of the armed forces who led the coup, and an ally of Gen Okello.

Mr Museveni's main chance for exerting influence is through political channels that have yet to be developed. The agreement gives his NRM equal representation with the UNLA members of the Military Council in the Cabinet, but Gen Okello retains the casting vote. Should his ageing leader die, his successor will be voted in by a two-thirds majority.

With the odds seemingly stacked against him, Mr Museveni is nevertheless demonstrating an astute political sense. He is reported to be cultivating a friendship with Mr Paul Ssemogerere, leader of the Government delegation at the talks and Interior Minister.

Mr Ssemogerere is head of the Democratic Party, which was in opposition to Dr Obote's Uganda People's Congress, and is backed by the Baganda, the southern people who also form the rank and file of the NRM.

The agreement makes provision for political parties to be represented in due course on the council, so that such an alliance could prove a powerful factor when eventually the council names a date for elections to return Uganda to civilian rule.

Sudan ready to sign debt agreement with IMF

BY JOHN MURRAY BROWN IN KHARTOUM

SUDAN'S transitional government was last night expected to come to agreement with the International Monetary Fund (IMF), ending months of speculation over whether the country would be declared in default in failing to settle its arrears with the fund.

The agreement binding Sudan to a package of economic reforms now paves the way for a rescheduling of the country's $9bn external debt.

Few details of the agreement were available hut informed sources were yesterday ruling out a devaluation of the Sudanese pound. The black market pound currently trades at 30 per cent over the commercial bank rate.

Price controls are believed to be central to the agreement with a variety of fiscal measures to ease pressure on the country's balance of payments position.

Earlier this month the Government stepped down over the imposition of new income tax arrangements, which would have replaced the Islamic zakat tax used under the former regime of ex-President Jafaar Numeiri. Any move to revive the income tax proposals could meet with stiff union opposition.

In the short term the agreement allows donors to release funds to pay the arrears to the fund, now exceeding $190m. The US have expressed willingness to provide $50m and Sandi Arabia, Sudan's largest bilateral donor, is expected to follow suit.

However, the agreement looks set to be strongly criticised by unions. In April this year it was union opposition to a similar IMF package that was instrumental in bringing down former President Numeiri.

In a related incident 25 members of the National Socialist Alliance, a party supportive of the former president, have been arrested, according to a senior police source.

Seoul expels Washington Times journalist

By Steven B. Bulter in Seoul

THE South Korean Government yestorday expelled and declared persona non grata the Tokyo correspondent of The Washington Times in protest over an article saying a summit meeting had taken place between South and North Korea. The Government said the report was untrue and that it had warned the correspondent, Mr Timothy Elder, not to publish it.

Relations between the Government and tho foreign press have recently grown tense, with the former objecting strongly to a series of reports describing high-level contracts in which discussions took place about a possible summit meeting.

A government spokesman said yesterday there was concern over "speculative" reports that could damage South Korea's foreign diplomacy.

Moroccan state spending set to increase by 37.7%

BY FRANCIS GHILÈES

MOROCCAN government spending is set to increase by 37.7 per cent to Dirbams 68bn (£5bn) according to a draft budget which the Rabat parliament is expected to approve before the end of this month. A 31 per cent increase in state revenues is predicted by Mr Abdellatif Jouahri, the Minister of Finance. Investment spending is expected to increase by 67 per cent to Dirbams 20.5bn.

No new taxes ere planned but VAT is expected to be introduced next year.

A record cereal crop hes led to a 14 per cent increase in farming output this year which in turn explains the 4.8 per cent increase in gross domestic product, a figure more than twice that reached in 1983 and 1984.

Increased defence allocations, up 30 per cent to $700m, and foreign debt servicing will account for much of the rise in spending. The King has ennounced his decision to spend $1bn over the next five years to modernise hie armed forces, most of which are deployed to maintain the Moroccan presence in the disputed Western Saharan territory.

Servicing foreign and domestie debt will cost 119 per cent more next year than in 1985. Foreign debt interest of $13bn—more than Morocco's GDP in 1984—will nearly double to Dirhams 5bn, despite the recently completed rescheduling of the 1984-85 bank debt.

King Hassan has meanwhile promised that the stale would pay its backlog of deht to domestic companies, many of whom have bad to reduce activity

The Government, headed hy Mr Mohamed Karim Lamrani, will continue to implement measures called for by the IMF, including cutting subsidies on staple foods and allowing the dirham to depreciate

White House optimistic over tax reform Bill

BY STEWART FLEMING IN WASHINGTON

THE WHITE HOUSE claimed yesterday it had rounded up 50 Republican votes in the House of Representatives to support the Administratioo-backed tax reform Bill—the minimum level of support needed from the President's own party to give the legislation any chance of approval.

But Mr Tip O'Neill, House speaker, said he is still not sure whether the legislation, which the White House has said is the top domestic legislative priority of the President's second term, will pass. "I hope that we could pass it. Whether or not we can I do not know," he said.

But even as the White House was sigoalling some optimism on the Tax Bill, and in doing so attempting to shift the blame for failure on to the rival Democratic Party, Mr Reagan's legislative agenda was unravelling elsewhere.

Late on Monday night a combination of liberal Democrats and right-wing Republicans combined to vote down a continuing resolution needed to authorise several key government departments to maintain operations.

Yesterday morning the House approved a new temporary spending bill which will expire on Thursday removing the threat that the Administration would have to send federal workers home because it could not pay them. But officials on Capitol Hill were expressing concero that a stalemate over federal spending for defence now loomed.

Tho rejection in the House on Monday night of the $370bn spending Bill for government departments which have not yet had specific appropriations bills approved came as a shock. The vote amounted to a rejection of a bi-partisan compromise which had been hammered out in a House Senate conference committee.

Some congressmen put the setback down to the unpredictability of late night sessions. "It's never wise to keep the House in after 11 pm," said Rep Lynn Martin, o Republican from Illinois. "It's like managing a nursery school without a nan."

Many liberal Democrats voted against the budget Bill because it provided for defence spending appropriations of $282.5bn, some $13.6bn above the level approved earlier by the House. The Bill also lacked the provisions for reform of defence procurement which many liberals backed, and contained funds for the production of chemical weapons for the first time since 1969.

Coffee price boost for Colombian exports

By Sarita Kendall in Bogota

INCREASED coffee prices are expected to give a sharp boost to Colombia's export earnings this year and during 1986. Official estimates now believe coffee earnings will rise from $1.5bn (£1.1bn) to almost $2bn during the year as a result of Colombian coffee taking advantage of drought in Brazil.

These higher coffee export earnings forecasts came as Colombian officials were due in the US yesterday to sign a $1bn loan agreement with commercial banks. The loan agreement shows Colombia remains one of the few Latin American debtors capable of obtaining fresh funds from commercial banks. Total private and public foreign debt stands at $12bn.

Negotiations with the banks were slow, largely because of the Government's determination to avoid formal standby arrangements with the International Monetary Fund (IMF). The search for a special formula began over a year ago, and it was finally agreed that the Colombian economy would be monitored every quarter by the IMF.

The deal has gone through despite an embarrassing leak from the Fund that led the Colombian Government to ask for the postponement of an IMF mission.

In spite of strong progress on the external front, the authorities have been less successful in cutting back the budget deficit. But the Finance Ministry has promised that the most difficult period is over, and policies will now stress stability and growth.

The 1985 inflation rate is expected to end up at around 24 per cent, while economic growth is estimated at 2.5 per cent to 3 per cent. Rapid devaluation has brought the official and black market exchange rates together, encouraging people to change money in the banks. Foreign income is also being fuelled by the rise in coffee prices.

Nearly two-thirds of the credit will go towards the completion of the Cano Limon oilfield development and El Cerrejon coal project. Early coal sales from El Carrejon have brought in some $80m so far this year

US suffers worst ever merchandise trade deficit

BY OUR CORRESPONDENT IN NEW YORK

THE US current account deficit surged to $30.5bn (£21bn) in tho third quarter as America suffered its worst merchandise trade deficit ever and farm exports hit their lowest level since the first quarter of 1979, the Commerce Department reported yesterday.

The second quarter current account deficit was $27.7bn.

The decline in the value of the dollar on the foreign exchanges this year has not yet been reflected in any improvement in the merchandise trade deficit which rose $4.6bn to $33.1bn. But the fall in the dollar helped to produce a sharp increase in US income from services and to contain the deterioration in the current account deficit, the Commerce Department said.

Net service receipts rose $2.3bn to $6.7bn, reflecting a rise from $1.6bn to $10.2bn in income from US direct investment abroad, mainly as a result of capital gains due to dollar depreciation.

Seperately the Commerce Department reported a surprisingly large fall of 12.2 per cent in new housing starts. Falling interest rates had been expected to give the housing market a boost.

France's Caribbean possessions may be a little too French, reports **David Housego**

Islands in the sun ponder problems of largesse

TWENTY years ago General de Gaulle's first words when he addressed the crowds that had gathered to hear him in Fort de France, Martinique, were: "Mon Dieu, mon Dieu, comme vous etes Français. (My God, my God, how French you are)."

Notwithstanding the coconut palms and the banana groves, both Caribbean islands are still very French. Beaujolais Nouveau lies on the table of restaurants in Martinique and Guadeloupe in late November as it does in France. Village town halls and churches have been built with a Gothic nostalgia for the French provinces. The telephone booths are the same as in Paris — and just as often out of order.

The islands have among the highest living standards of any territory in the region, but economic and political uncertainties are beginning to cloud the horizon.

"Our problem is under-development," M Aimé Césaire, the poet-mayor of Fort de France, capital of Martinique, told President Francois Mitterrand on his recent visit when he greeted him at the town hall whose motto "Semper Francia" (Always France) had received a fresh coat of paint for the occasion.

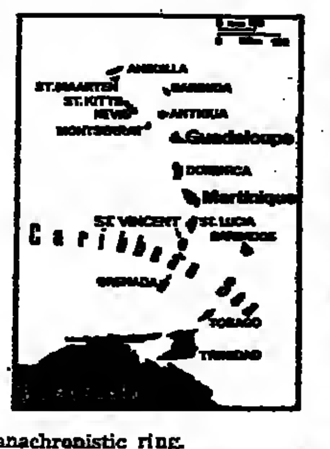
The long decline in export earnings from the island's staple commodities of sugar and bananas have helped push up unemployment to about 30 per cent. Local industry has also been slow to develop because of the high cost of labour compared with other Caribbean states.

In nearby Guadeloupe, political squalls have followed on the heels of economic difficulties. Rioting flared in the city of Point-à-Pitre in the summer over the continuing imprisonment of an independence leader allegedly on hunger strike. This came in the wake of terrorist attacks earlier in the year by the clandestine independence movement Alliance Revolutionnaire Caraibe (ARC).

Though the agitation has now died down, the massive security precautions that were in force for M Mitterrand's visit reflect the continuing nervousness of the French authorities. "For us 1986 is the year that the Guadeloupe problem must be brought into the open," says M Claude Mankoulé, leader of the main independence movement L'Union Populaire pour la Libération de la Guadeloupe (L'UPLG), with his eye on the forthcoming Parliamentary elections.

Both Martinique and Guadeloupe were incorporated into France as overseas departments in 1946 — a status intended to remove the stigma of colonialism and give their population the same rights as citizens of metropolitan France.

But in a Caribbean that is largely independent and eight hours flying time from Paris, the very "Frenchness" of the islands is beginning to have an



anachronistic ring.

French assistance is paradoxically both too open-handed and insufficiently so. Martinique and Guadeloupe obtain from the central government FFr 4,750 (£428) per head of population in transfer payments and investments, compared with an average of FFr 700 in metropolitan France. Eighty per cent of Guadeloupe's gross product comes through aid from France.

But this high level of support and the heavy social security payments that companies in the Antilles as in France have to pay, have pushed up labour costs to levels that are a disincentive to industrial investment. At the same time, the business communities on both islands have long prospered by importing from France—giving them little interest in taking the plunge into more risky industrial ventures.

Two recent events have further underlined the Antilles economic vulnerability. The privileged position that the two islands had in terms of access to the EEC for their sugar and banana exports as a result of being French departments has been whittled away by the lowering of tariff barriers to other developing countries who are signatories of the Lome convention.

At the same time the Reagan plan for the Caribbean has opened up US markets to exports from a number of Caribbean countries, but not including the French Antilles. M Cesaire warns that as a result, French investors "will find it more worthwhile to invest in Haiti or elsewhere in the Caribbean than in Martinique or Guadeloupe."

French help is insufficient in that the islands are increasingly aware that they will not be exempt from the budgetary squeeze that is hitting public expenditure in France.

President Mitterrand was unable to offer any crumbs of economic comfort earlier this month. His message was to emphasise the need for regional co-operation within the Caribbean, self help and the individual identity of the islands within the French nation.

The decentralisation, undertaken since the Socialists came to power, and the creation of a regional assembly, has in Martinique at least gone a long way to satisfying demands for greater autonomy.

The two islands are very different places. Martinique has long been France's favourite son in the region—the island where its military headquarters are located and the administrative centre for the university system. A large majority prefers to remain part of France rather than risk the drop in living standards that would come with independence.

Guadeloupe has a tradition of more militant political and trade union activity and there are sharper differences in wealth. The ARC revolutionary movement has for the moment called a truce, but independence parties are said to represent anything up to 10 per cent of the vote.

France is being given strong encouragement by the US to remain a major power in the region. The French presence not only helps the US maintain a lower profile but the relatively high living standards of the French islands mean that there is no illegal immigration from them to the US.

Inhabitants of Guadeloupe and Martinique can instead freely enter and take jobs in France — an advantage that only a minority would want to give up for the greater uncertainties of independence.

Canada scores notable success in defeating recession

BY OUR FOREIGN STAFF

CANADA registered notable successes in its recovery from the country's most severe post-war recession, the Organisation for Economic Co-operation and Development (OECD) said in its annual report on the Canadian economy published today.

"Gross national product (GNP) in 1984 posted its highest annual growth rate since 1976 and continued to grow rapidly in the first half of 1985," the report said.

"Even though the upturn is well into its third year, inflation has continued to decline . . . Moreover, the foreign trade account posted a record surplus.

"Looking ahead to the country's short term prospects, no major internal risk to a continuation of the recovery is foreseen, even though GNP growth is projected to slow in 1986."

Canada did, however, face two major medium term problems: a federal budget deficit which, relative to GNP, was one of the highest among those of major OECD countries and persistently high unemployment.

Exports had contributed 1.3 percentage points to last year's GNP growth of 5 per cent, helped along by an improvement in Canadian competitiveness vis-a-vis the US (though not compared with other countries).

At the same time imports of manufactured goods had increased more rapidly than overall domestic demand. Patterns of demand and an exchange rate against the Europeans dragged up by the US dollar had caused Canada last year to have its first postwar trade deficit with the EEC.

CANADIAN ECONOMY

Volume (percentage changes)

	1984	1985	1986*
Gross national product (GNP)	+ 5.0	+ 4	+ 3
Inflation rate†	2.8	3½	3½
Exports of goods and services	+19.5	+ 4½	+ 4½
Imports of goods and services	+14.4	+ 5½	+ 5
Unemployment rate‡	11.3	10½	9½

* Forecast. † GNP deflator. ‡ Per cent of labour force.

Source: OECD.

The report records that according to official estimates current in Ottawa the federal budget deficit would decline from 7½ per cent of GNP in 1984-85 to 6 per cent in the current fiscal year — the first year during which the new Progressive Conservative Government has been responsible for the budget.

The Government's policy of cutting the deficit would have a mildly restrictive effect in the short run, but "positive supply-side effects based upon stimulating investment and upgrading the labour force are expected to predominate eventually."

The OECD report notes that unemployment remains high, though it accepts that Canada has had a good record of creating new jobs in the past. Present prospects for a substantial strengthening of demand for Canadian raw materials did not look promising.

"Should this situation persist in the longer term, a further shift from the resource-based sector to other branches of the economy may be required to permit a return to full employment," it said.

OECD Economic Surveys 1984-1985: Canada. Obtainable in UK from HM Stationery Office, POB 276, London SW8 5DT, or 49 High Holborn, London WC1V 6HB.

West Germans hope for N-sale to China soon

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY is hoping to clinch the sale of nuclear reactors to China in a few months, although the deal is still uncertain and has long been clouded by complex negotiations and international competition.

A major countertrade operation is being put together to help meet the cost of the project through the export of Chinese raw materials. China may also sell uranium to West Germany.

With Bonn's backing, Kraftwerk Union (KWU) is seeking an order for two 1,000 Mw reactors for a power station at Sunan, about 100 miles from Shanghai.

KWU, a subsidiary of the Siemens electrical group, has been fighting hard for the contract in view of the scarcity of nuclear power station orders.

Framatome, the French nuclear reactor company, also has its eye on the Sunan project. The French are pleased at winning agreement in principle for the supply of reactors for the Daya Bay power station, which will generate electricity for Guangdong Province and Hong Kong.

Nuclear experts in West Germany believe that China is anxious to obtain the best terms through competition.

The West Germans feel that China wants to maintain wide room for manoeuvre by building up nuclear links with France and West Germany.

But with China reining in development ambitions, there is speculation that it might postpone the Sunan project—possibly for a year or two—while continuing talks with the West Germans.

The countertrade package associated with the deal is understood to be near completion, although Metallgesellschaft, the Frankfurt-based metals and mining house, has so far declined to give any details.

It is widely known, however, that part of the KWU project would be met by the export over many years of non-ferrous metals, including tungsten, and chemicals. Metallgesellschaft, which has been rapidly building up countertrade business, would arrange buyers for these materials world-wide, including the Pacific area. It has offices in Peking, Shanghai, Canton and Shenzhen and is expanding them.

China also wants to export uranium to West Germany to help pay for the KWU deal and some West German electricity utilities are seriously considering the idea. It is believed that some utilities are very close to signing a contract.

There are serious doubts, however, about another project which the Chinese have been linking with the KWU deal—China's offer to store spent nuclear fuel and nuclear waste from West Germany.

The West Germans have suggested they might be able to send 150 tonnes of spent nuclear fuel to China between now and the year 2000, but the Chinese want many times that amount to justify the project.

Phillips Petroleum International Corporation and Pecten Orient Company yesterday signed a contract with China for offshore oil exploration rights in the South China Sea, AP reports.

The official news agency Xinhua said the US companies were awarded a contract area of 2,773 square miles in the Pearl River Mouth basin about 93 miles from the Shenzhen Special Economic Zone.

It was the third contract in the second round of offshore bidding, which began in November, 1984.

The first contract was awarded to three Japanese companies, and the second was given to the Esso-Shell group, formed by Esso China of the US and Shell Exploration (China) of Britain.

Japan stays silent on US car export curb

By Jurek Martin in Tokyo

JAPAN has take no decision on whether or not to continue voluntary restraints on car exports to the US beyond next March, when the present programme expires.

Mr Yasuhiro Nakasone, the Prime Minister, made this clear to Mr Howard Baker, the former US Senate majority leader, when they met yesterday, as did Mr Makoto Kuroda, director-general of international trade policy at the Ministry of International Trade and Industry (MITI) in a separate briefing.

Mr Kuroda expressed surprise at the US reaction to comments attributed last Friday to a Miti official, who had been quoted as saying that the programme was due to expire in March and only exceptional circumstances would induce Japan to prolong it.

Mr Kuroda denied that Japan was floating "a trial balloon" to gauge US sentiment, which, in the event, was bitterly critical.

Last spring when Japan lifted the ceiling on US car shipments from the 1.85m units of 1984-85 to 2.3m, the US Congress professed outrage. Subsequently, Mr Nakasone said Miti would have been better advised to say nothing.

On this occasion, Mr Kuroda said the Prime Minister's comments still applied.

He insisted that the Government was engaged in no discussions on car trade with the US, nor with the Japanese car industry, and that Miti was conducting no internal discussions on the subject. Henceforth, Miti would make no comments, he said.

Mr Kuroda predicted that there would not be a new import action programme next spring.

Japanese tariff levels would form part of the new-round discussions in the General Agreement on Tariffs and Trade, while recent parliamentary legislation meant that by next April 1 Japan would have put into effect 95 per cent of the improvement in standards and certification that formed a large part of last summer's programme.

European Commission identifies 23 barriers to trade with US

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission yesterday published a list of 23 items which, it said, constituted barriers to trade with the US.

Their publication was o riposte to President Reagan's speech of September 23 when he said, "I believe that if trade is not fair for all, then trade is 'free' in name only."

The list of complaints, many of them old and the subject of fruitless talks, also constitutes a trade negotiating agenda for the next few months.

The list has been presented to Dr Clayton Yeutter, the US Trade Representative. As Mr Willy de Clercq, the Community's external relations commissioner has said: "The notion of fair trade must be applied in the same manner on both sides of the Atlantic."

International opinion, he added, should not believe that the US was the only country to respect the rules of international commerce.

Both sides have traditionally been willing to accuse the other of falling down o nobligations eech should accept under the General Agreement on Tariffs and Trade. In this area, the Community has seven demands on the Americans springing from:

- Imposition of a higher duties on vitamin B12 (animal feedstuff) grade than on vitamin B12 (pharmaceutical quality);
- Failure to insist on import licences for products subject to unilateral safeguards, instead admitting goods on a first-come first served basis;
- Tax concessions to exporters;
- Refusal to import literature unless printing takes place in tho US or Canada;
- Discretion in dealing with trade complaints which can deviate from the Gatt;
- The definition in US legislation of what constitutes the domestic wine industry;
- Incompatibility of dumping and countervailing duty legislation and practice with the Gatt.

The list of Community complaints also includes old concerns such as unitary taxation, the use of foreign policy measures to inhibit trade, subsidies for defence research and development and the import ban on firearms.

The Community seized the opportunity again to vent its displeasure with "Buy American" practices.

But the Commission, having drawn up hastily a list which is not claimed to be exhaustive, is not, it appears, very clear what to do next.

It was noted yesterday that here was the ground for the next series of trade disputes. On the other hand, it was made clear that the Community has no formal strategy in its approach to commercial relations with the US.

However, the barrage of complaints crossing the Atlantic both ways reduces the force of the expressions of mutual collaboration in the preparations for a new round of multilateral trade negotiations.

This dichotomy is sharply etched in agricultural trado, a subject for negotiation in the international talks. The Commission list of unfair US trading practicea inclndes ogricultural import quotas, the $2bn programmo to enhance American farm product exports ond the protected sugar price in the US.

Call to lift restrictions on small airlines

By Our Brussels Correspondent

EUROPEAN Community air ministers will be asked to free restrictions on small airlines operating from regional centres in a new initiative for liberalisation of the industry to be mounted by tho European Commission in the New Year.

They will be asked to build on a 1983 directive which permitted greater freedom for the provision of air services between regional centres in different Community countries by permitting links between the regional centres and the hubs of the main trunk routes.

The Commission initiative was disclosed yestorday by Mr Stanley Clinton Davis, Commissioner for Transport.

He is already seeking to pilot through the council of ministers a wider moasure which would permit greater fare and capacity flexibility

Since the 1983 directivo was passed, 15 applications to provide services between Community regional centres have been approved.

More Japanese airlines to fly overseas

THE Japanese Government yesterday cleared the way for more Japanose airlines to fly international routes, ending the monopoly of Japan Airlines (JAL) as sole flag carrier, Reuter reports from Tokyo.

The Cabinet abolished long-standing regulations giving all tho international routes to JAL and leaving a share of domostic routes to All Nippon Airways (ANA) and Toa Domestic Airlinea (TDA).

ANA has applied for a Tokyo-Guam route, to start on March 3, next year, and is also expected to seek a Tokyo-Los Angeles route.

Today's decision followed a government committee recommendation earlier this month that JAL should become a private company and tho government sell its 35 per cent stake in tho airline.

Eximbank may offer mixed credit for Algerian metro

BY FRANCIS GHILES

A PROJECT to build a metro in Algiers worth around $350m (£248m) is high on the list of six deals for which tho US Eximbank may offer mixed credit packages aimed at beating French competition.

The US threat to match any French mixed credit packago is aimed specifically at tho contract for tho rolling stock, worth about $80m, for which Transit America, formerly Budd Company, is likely to bid.

The US intends to set up a $300m "war-chest" which would be used to make mixed credits so expensive that tho French would end or sharply curtail tho practice.

France has answered with its own fighting fund but other countries are bound to suffer if last month's opening shots lead to a credit war. However, bids are not expected to be called for before late this winter.

The $350m, a conservative estimate, would cover tho building of one 12 km line from Oued Kouriche to Badjara, along the seafront.

It fits into the wider policy of revamping the capital of Algeria which has led, since 1980, to much road, house and school building together with the huge cultural and commercial centre round Riad El Fatho, the monument to the martyrs of the war of liberation built by the Canadian company Lavalin.

Tho initial study for the metro was done by Sofretu, tho consulting arm of tho Paris metro RATP. It recommended that tho system should run on rubber tyres because of tho high gradient of part of the track.

The project will be split up into three major parts: civil engineering, including tunnelling for which French, Japanese and Spanish companies are expected to bid; the electrical and mechanical work which includes tracks, rolling stock, power supply; and signalling and workshop facilities.

Supervising the project will interest Elektrowatt of Switzerland, Deutsche Eisenbahn Consulting, British Rail Consulting

Pan Am applies to fly Airbus across Atlantic

BY LESLIE COLITT IN BERLIN

PAN AM has applied to tho US Federal Aviation Administration (FAA) to fly European Airbus A310-200 airliners between Hamburg and New York. It would be the first transatlantic route to be served by the two engine airliner which has a range of 6,500 km.

TWA, Air Canada and El Al began Atlantic flights earlier this year using the two-engine Boeing 767. The advantage over the conventional four-engine aircraft is a considerable saving in fuel.

Pan Am in West Berlin said the Airbus flight to New York will originate in Berlin with stopover in Hamburg.

Tho airline is aiming to begin North Atlantic flights with tho Airbus in early February on four days a week in both directions. It has also applied to use the Airbus on flights between Shannon and New York beginning in late March.

Pan Am said it is seeking permission to fly a route which would keep it within 120 minutes of an alternative airfield. It needs an exemption from the FAA for this, which was given to tho airline flying tho Boeing 767. Some changes will also have to be made in the Airbus's instruments.

Pan Am recently took delivery of three A310-200 airliners from Boeing which had bought them from Kuwait Airlines before they went into service.

- Finland's Finnair has signed a contract to buy five ATR-72 aircraft and has taken an option on three more, tho French aerospace company Aérospatiale said, Reuter reports from Paris.

The ATR-72, a streched version of the ATR-42 short-haul commutor plane, is built by a Franco-Italian consortium comprising Aérospatiale and Italy's Aeritalia.

The ATR-72s will be delivered in 1989. No financial details were immodiately available.

Finnair ordered five ATR-42s in April 1982, tho first of which will go into service in March next year to replace the F-27s and DC9-10s used on Finnair's domestic flights.

UK NEWS

Lawson in row with MP over City allegations

BY PETER RIDDELL, POLITICAL EDITOR

THE ANGER and frustration of Mr Nigel Lawson, the Chancellor of the Exchequer, over the welter of allegations by Mr Brian Sedgemore, the Labour MP, about City of London fraud yesterday boiled over in the House of Commons into an exchange of insults between the two men.

"Scurrilous McCarthyite smear campaign," and "snivelling little git" were among the exchanges that Mr Bernard Weatherill, the Speaker (chairman), alone among MPs present chose not to hear, but then to deplore in general.

The occasion came after Mr Lawson's statement on banking supervision. The first jibe came from Mr Sedgemore, who has recently produced a series of allegations about the Johnson Matthey Bankers and Lloyd's affairs. He accused Mr Robin Leigh-Pemberton, the Governor of the Bank of England, of "wanton negligence" and of being "not merely a disaster but a disgrace."

He wondered how anyone could place their trust in a system of supervision organised by this "appalling deadbeat."

Mr Lawson then turned on Mr Sedgemore and, to Tory cheers, accused him of being the biggest fraud so far exposed. "By engaging in a scurrilous, McCarthyite smear campaign under the cloak of parliamentary privilege to further your own sordid political objectives, you have succeeded only in damaging the good name of the City, to the delight of our competitors overseas, and in impeding the police in their attempt to bring wrongdoers to book."

Mr Lawson added: "To describe you as a pest would be unfair to pests." At that point, an angry Mr Sedgemore shouted: "You snivelling little git."

Tory MPs then attacked Mr Sedgemore for his remarks and some complained that his words were "disgraceful."

Mr Weatherill said he had not heard all the remarks, or to whom they were addressed – although that was clearly apparent to other MPs and observers. Mr Sedgemore, the Labour MP for Hackney South and Shoreditch, in East London, said in reference to his "snivelling little git" remark that it was "an East End epithet."

Mr Weatherill warned MPs in general and Mr Sedgemore in particular that MPs needed to take great care about the imputations put on the characters of others not in the Commons.

That incident followed a renewed demonstration of how City affairs have become an important political issue when several Labour MPs and one Tory member raised allegations of fraud with Mrs Margaret Thatcher, the Prime Minister.

She emphasised her determination to do everything possible to deal with fraud and said the Government had just received the report of Lord Roskill on the handling of big fraud trials. She said that contained 112 recommendations, which would be considered carefully. The report would be published next month.

Later, Mr Roy Hattersley, Labour's deputy leader, in a speech on the City, said its integrity was now in doubt with a growing number of malpractices. He sought to associate the Government with the City's problems and urged tighter regulation.

Shell to build £180m oil plant

By Max Wilkinson, Resources Editor

SHELL UK is to spend £180m on a new plant to make petrol at its Stanlow refinery near Ellesmere Port, Cheshire, the company announced yesterday. It will be Shell UK's largest downstream investment for several years.

The plant, known as a long residue catalytic cracker, is to be built as part of a modernising programme which includes the upgrading of equipment and substantial slimming down of the workforce.

The new cracker at Stanlow replaces older less efficient plant, and will produce about 1.2m gallons of petrol a day from between 8,500 tonnes and 9,500 tonnes of North Sea oil.

The design contract has been awarded to Foster Wheeler of Reading. Work is expected to start in January for planned completion by the end of 1987. Up to 800 construction workers will be employed.

The announcement comes with Shell UK well on the way to achieving its planned 1,000 reduction in the workforce at Stanlow to a target of 2,300 next year.

Mr Bob Reid, chairman of Shell UK said yesterday: "We could not support such a large project without the productivity improvements. This shows that by restructuring and accepting change, we can justify re-investment."

At the time of its annual meeting in March Shell UK said it would continue to rationalise its downstream businesses and to ensure that they did not need to be subsidised by the exploration and production business.

Brussels halts action as Ford agrees to body panel licences

BY JOHN GRIFFITHS

FORD has agreed to grant licences, on certain conditions, to independent UK car replacement body panel makers for all except its latest models. As a result, the EEC Commission yesterday announced that it had suspended proceedings aimed at compelling Ford to grant licences.

Ford's action, taken reluctantly and which it said yesterday would cost it "several millions" a year, means it is unlikely to pursue further court actions it has already instigated against several replacement panel makers for breach of copyright, provided the companies involved apply for licences in the near future.

The independents currently are estimated to account for between £5m and £6m of annual £35m to £40m total trade in Ford replacement panels.

However, the proceedings have been followed with close interest by industry because of their general implications for copyright and registered design protection.

The Commission's proceedings were begun in early November after complaints by the independents.

The conditions of Ford's offer are that would be licensees should pay a royalty of 2 per cent of turnover until 15 years from the date of the first sale of the vehicle on which replacement panels are based.

In addition, it will require an additional royalty of 1 per cent for six years, from the date in which a licence is granted, in respect of those panels which have been the subject of its court actions.

Mr David Mers, chairman of the Motor Panels Manufacturers and Distributors' Association, last night said he was not prepared to comment on the details of Ford's undertaking but welcomed the fact that further litigation would not apparently proceed.

Peugeot Talbot launches fleet market campaign

PEUGEOT TALBOT, French-owned motor company, has placed long-term appraisal cars with 350 of the UK's larger fleet operators as part of its strategy to regain a presence in the fleet market, using a new model range, the 309, John Griffiths writes.

The company said yesterday that the Ryton-assembled 309, which is to be sold in seven different versions, will go on sale in the UK on February 6.

It is the first of several new models by which Peugeot Talbot hopes to increase its UK market share by 1 per cent a year, leading to a doubling of its current 4 per cent to 8 per cent by 1989.

The company said the 309, a five-door hatchback, will compete with a broad spectrum of rival models. It is being produced in 1.1, 1.3 and 1.6 litre forms. A typical competitor to the smallest capacity model is seen as the basic Vauxhall Astra 1200, while the top model would compete with cars like the Ford Orion 1.6 Ghia.

Increased penetration of the fleets, which account for more than 40 per cent of all new car sales in the UK, is seen as vital to the company's future.

The 309 is the first UK-assembled car to be badged as a Peugeot.

Britain to offer more soft loans for export projects in China

BY FRANK GRAY IN LONDON AND ROBERT THOMPSON IN PEKING

BRITAIN is prepared to boost substantially its aid and trade support for British projects in China, Lord Young, the UK Employment Secretary, said yesterday.

Lord Young, whose week-long mission to China ends today, said in Hong Kong a new soft-loan facility would add to a commitment of £100m made earlier in the year. It is understood that the new loan pledge could add as much as £100m more to those funds already available to support British exports to China.

Such aid, part of which would be supplied by British banks, would make China one of Britain's chief recipients of aid-supported export finance administered by the Overseas Development Administration (ODA).

Through 1984, China had only received £561,000 in technical co-operation funds from the ODA. India, at £146.5m, was the chief ODA recipient, and Bangladesh received £35m in ODA support.

ODA and trade officials in London yesterday would only say that a "substantial increase" was planned, but officials close to Lord Young's mission indicated it could be at least double the existing outlay. The current £100m offer is for 20-year loans, to help to finance large projects involving British companies, with a five-year grace period at an interest rate of 5 per cent.

Under terms of the £100m facility, Britain and China have agreed in principle on six major projects to be built in China, Lord Young said.

These include a coal-fired power station, refurbishing of a tractor factory and four other projects in the equipment and machinery fields. The additional loan pledge could support another 20 projects, which include a rural telecommunications project in Sichuan province, an optical transmission equipment project in Shanghai and "further ahead, a very large telecommunications development in the Yangtse delta."

Other projects envisaged include a container port, an aluminium smelter and a major underground project, Lord Young said.

Lord Young's mission was focused on high technology and electronics sector and included managers from such companies as GEC, Ferranti, Racal, STC, Plessey and Cable and Wireless.

It remains to be seen how much of the loan facility is to be taken up. The ODA provision enables banks to make concessionary loans but requires British companies to make applications to the Department of Trade and Industry.

A House of Commons select committee report on China trade last July noted with alarm that Britain's share of trade among OECD nations with China was just 3 per cent through 1984 and was valued at $432m.

Lord Young said bilateral trade for the first 10 months of the year was valued at £599m for the first 10 months of this year.

Pension reforms meet qualified support from life companies

ON THE FACE of it, this week's White Paper (government policy statement) on pensions reform offers unlimited opportunities for life companies. The proposals for employees to come out of their company scheme and the State Earnings-Related Pension Scheme (Serps) and make private pension provision offer a vast potential for life companies to market such contracts.

Eric Short looks at the likely effects of the Government's proposals to change the pension system

Indeed, Legal and General Group predicted a substantial growth in private pensions coverage. The Association of British Insurers (ABI) said the development of company pension schemes and personal pensions side by side would be facilitated by the proposals to simplify the contracting-out conditions.

Life companies have a near monopoly in the individual pensions market. They also provide services for most small company pension schemes on both a defined contribution basis, with benefits linked to final salary and on a money purchase basis, where contributions paid are invested and the accumulated sum used to buy a pension.

Mr Norman Fowler, Social Services Secretary, has cleared the way for both personal pensions and small schemes. He has simplified the rules so that both types of pension can now contract out of Serps. At present, only final-salary-defined benefit schemes can do so.

Schemes set up during the five years from the changeover date in April 1988 will get a bonus contribution boost from the National Insurance fund during that period.

So why are the life companies tempering their enthusiasm? National Mutual Life, a company that has been recently aggressively marketing small-company money-purchase plans welcomed the proposals subject to urgent clarification on the details of personal pensions.

First, there is the official ending of the life-company monopoly in individual pensions – a monopoly conferred by the Department of Trade and Industry and the Inland Revenue.

However, Mr Fowler and the Department of Health and Social Security (DHSS) have no hesitation in naming banks, building societies and unit trusts to be allowed to offer both group and personal pensions.

The ABI in its submissions to Mr Fowler pointed out that life companies must conform to insurance-company solvency requirements – requirements that have recently been strengthened under EEC rules.

The ABI has claimed that any other pension providers should also conform to such strict solvency provisions.

National Mutual refers to the need to clarify the stance of the Department of Trade and Industry (DTI) on solvency requirements for non-insurance providers of personal pensions.

The second big effect on life companies concerns investor protection. The White Paper states that all companies offering pensions must be subject to the new financial services regulatory system – the Financial Services Bill expected tomorrow – or equivalent controls.

However, investor protection comes within the DTI's orbit. Life companies and unit trusts will have their own self-regulatory body – the Life Assurance and Unit Trusts Regulatory Organisation (Lautro).

Intermediaries selling life-company and unit-trust products come within the Life and Unit Trusts Intermediaries Regulatory Organisation (Lutiro).

Banks and building societies will be subject to different regulation. The principle of equivalence of treatment to ensure uniformity between the organisations has to be considered. But life companies fear their sales operations will be more closely controlled than those of other bodies.

The third main item in the White Paper is the Government's insistence on unisex annuities for pension contracts. Under the money purchase arrangement, an employee at retirement has to use the accumulated pension savings to buy an annuity.

The White Paper repeats its Green Paper discussion document proposal that there must be equal pensions for men and women for equal contributions.

The ABI and the actuarial professional bodies lobbied strongly against that proposal, which is very much in line with an EEC directive, since it overturns 200 years of actuarial practice. Under that practice lower annuities are paid to women because they have a longer life expectancy than men.

The life companies fear that proposal for two reasons. First, it will distort the market. Introducing equality will not alter the fact that women live longer.

Equal annuities mean that men get less pension than market forces dictate, while women get more. One can see certain life companies offering enhanced annuity rates providing they are not sold to more than a small percentage of women.

The second fear is that the proposal will be the thin edge of the wedge for completely unisex rates. The White Paper states that the unisex annuity rate will not apply to benefits secured by additional voluntary contributions. But how can life companies offer equal annuities on one class of business and not on another?

The White Paper, however, also contains little items that will have just as much impact on life companies as the major statements.

On investor protection, powers will be taken to control administrative charges and permitted investments for personal pensions.

During the debate on personal pensions, the high level of charges made by life companies on their contracts has been emphasised.

Figures of some 16 per cent of contributions were put forward in an effort to discourage the personal pension concept. Instead, Mr Fowler has reacted by imposing controls over charges.

However, the responsibility for life-company operations rests with DTI.

According to the rumours, DHSS is considering limiting to 5 per cent expense loadings on personal pensions, to ensure that an employee's contributions do not disappear in charges.

That in itself will strain companies offering personal pensions and the life intermediaries selling them.

The White Paper also talks about controlling permitted investments for personal pensions. The DTI has laid down certain investment controls on solvency concerning individual assets. The DHSS controls are likely to include limits on equity holdings.

Komatsu starts £12m project on Tyneside

BY IAN RODGER

KOMATSU of Japan, the world's second largest construction machinery maker, has launched a £12.3m manufacturing project near Newcastle upon Tyne in north-east England. It will create 270 jobs by 1987.

The plan involves taking over a factory at Birtley which had been closed by Komatsu's larger rival, Caterpillar Tractor of the US, last year, with the loss of 1,000 jobs. Initially, the Japanese company will produce hydraulic excavators and wheeled loaders at the plant.

Earlier this year, Komatsu was one of five Japanese producers found guilty by the European Commission of dumping excavators in the European Community market. Dumping duties of 26.6 per cent were imposed on Komatsu, hurting its ability to maintain its substantial sales volumes in the EEC. In the UK alone, Komatsu sold 270 excavators last year.

Mr Shoji Nogawa, Komatsu president, acknowledged yesterday that the dumping duties were a factor in the company's decision to build a plant in the UK. But overcoming the dumping duties was "not our major objective." The company's first goal was to respond more quickly to the needs of European customers. It planned to have a European specification on some Birtley-made machines in three years' time.

The project is also part of a larger plan by Komatsu to increase the proportion of its production outside Japan. Earlier this year, it announced a $16m factory project in the US. Mr Nogawa said the UK plant would not be limited to serving European markets, but would fit in the framework of the company's worldwide production and distribution system.

Output from the Birtley plant would reach 2,400 units by 1988 and more than 80 per cent of these would be exported. Initially, the UK content in the machines would be 60 per cent, rising to 80 per cent within five years.

Mr Nogawa said that at the outset the engines and hydraulics for the machines would be imported from the company's plants in Japan, but they would be bought in Europe if cost and quality competitive sources could be found.

Mr Peter Morrison, the UK junior Industry Minister, welcomed the Komatsu investment and said he did not think it would produce any objections from other EEC countries.

Last year, a project by Yamazaki Machinery Works, the leading Japanese machine tool group, to build a factory at Worcester in England was strongly opposed by machine tool companies in other European countries. The European Commission, which had to approve the £5.25m in UK government aid to the project, held it up for a year.

Industry department officials pointed out that aid for the Komatsu project amounted to only £2.3m and so EC approval was not required.

● Four directors of Ruston-Bucyrus, the Lincoln-based construction equipment maker, have bought the business from its US parent, Becor Western, for £4.2m.

BA makes £201m profit

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS earned a pre-tax profit of £201m in the first six months of the current financial year. It is now on course for a significant profit for the full year ending on March 31.

The six-months' unaudited figure compares with a pre-tax profit of £189m in the comparable period of the previous financial year, 1984–85, and £168m for the full year.

Announcing the figures in London yesterday, Lord King, chairman of BA, said that in the first half-year air passenger traffic rose by 9.5 per cent across all its markets

As a result, the airline's turnover rose from £1.49bn to £1.64bn.

Looking ahead for the rest of the current year, Lord King said that recent and prospective steep rises in fuel prices charged by the oil companies would add about £50m, or about 10 per cent, to the airline's overall fuel costs. But BA hoped that with lower oil prices on the world markets "the outlook for fuel prices should improve."

The half-year's results had also been influenced by some other adverse factors, including exchange rate fluctuations and the loss of the Boeing 737 at Manchester, which cost the airline some £9m.

But the airline "with a record of good profits behind us," now ranks as among the world's most profitable airlines, said Lord King.

"We have the solid asset base of the largest route network of any airline in the world.

"We look forward with confidence to the Government offering our shares to the public in the summer of 1986." Planning for privatisation was "well advanced to ensure a successful flotation," he added.

Mr Colin Marshall, chief executive, confirmed that the airline was likely to spend substantial sums over the next few years on re-equipping the airline to replace ageing aircraft and to meet traffic growth.

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Minister to unveil rate aid switch

By Richard Evans and Robin Pauley

MILLIONS of pounds of government grant are to be switched from England's rural areas into London in 1986-87 in advance of the 1986 London borough elections.

The details of the 1986-87 Rate Support Grant Settlement will be announced today by Mr Kenneth Baker, Environment Secretary. The Government is anxious to show that the abolition of the Greater London Council (GLC) next March will cause rate bills (local property taxes) to tumble throughout the capital.

However, because of the administrative costs of the abolition, transitional arrangements, redundancy payments and the setting up of a large number of quangos to take over some GLC functions, it is clear that many boroughs will not be able to hold or cut their rates unless they receive large amounts of extra government cash.

So while Mr Baker will present abolition as the cause of lower rates for next year his settlement today contains technical changes which will direct at least £100m of extra grant into London.

The Government adopted the same approach in the current year to try to restrain rate rises in the first year of rate capping, most of the rate-capped councils being in inner London, with London councils receiving an extra £200m in grants.

London will get £300m more in grant next year than if the 1984-85 technical structure had been maintained.

The losers this year and next are the shire district and shire county councils, whose share of the grant cake has been reduced.

Mr Baker will announce that the total amount available through the block grant system of distributing money to councils in 1986-87 will be £11.8bn. This is the same amount as was planned for the current year, but around £540m was lost through penalties for overspending targets and retained by the Exchequer, reducing the actual rate of grant from 48 per cent of council current spending to 46 per cent.

Yamazaki plant may export to Japan

BY NICK BUNKER

AN AUTOMATED factory being built in Worcester by Yamazaki, the largest Japanese machine-tool builder, may export finished products to Japan, it was announced yesterday.

Yamazaki is investing £29m in the 14.5 acre plant, which will use computerised flexible manufacturing systems to make four models of numerically controlled lathes and machining centres.

Yamazaki already has two automated factories in operation, in Japan and in Kentucky in the US.

"We are confident that our UK plant will be our most advanced flexible manufacturing factory yet," Mr Teruyuki Yamazaki, the family-owned company's president, said in London.

Production at Worcester, which is scheduled to begin in early 1987, will reach up to 700 units of machine tools by the end of that year. Annual turnover at the factory of about £40m should be achieved by 1988, Mr Yamazaki said. "It is planned that about 80 per cent of this total output will be exported to world markets."

"We further foresee that if the revaluation of the Japanese yen continues, there will be a strong possibility that our UK-made machine tools will be exported also to Japan."

This could occur if the yen rose to about Y270 to the pound. The pound was priced on foreign exchange markets this week at about Y291.25.

Mr John Shaw, director and general manager of Yamazaki Machinery (UK), a Yamazaki subsidiary with an existing British sales operation, said a government grant of up to £5.2m had been guaranteed towards the cost of the investment.

Three trade unions have approached the factory's management for talks about representing the plant's workforce of 200, Mr Shaw said.

Howden offers £13m settlement

BY JOHN MOORE, CITY CORRESPONDENT

ABOUT 3,000 members of the Lloyd's insurance market hit by the troubles which surfaced three years ago at Alexander Howden, the insurance broker, are to be offered £13.4m to settle an outstanding legal action.

The offer is being made by Alexander Howden, now part of Alexander & Alexander Services, the large US insurance broker. The move follows legal action started in 1983 by Alexander Syndicate Management against Howden.

Alexander Syndicate Management is the Lloyd's managing agency established by Alexander & Alexander to run the affairs of syndicates 126 and 127, in which the underwriting members were grouped. The agency, although owned by the US group, was formed by independent management to protect the interests of the 3,000 or so members who formed the two syndicates.

The action came in the wake of allegations by Alexander & Alexander that $55m had been misappropriated by former executives of Howden from Howden insurance interests and Lloyd's syndicates under its management.

The writ had alleged that reinsurances arranged for the syndicates, once headed by Mr Ian Posgate, by Alexander Howden Underwriting and Alexander Howden Insurance Brokers with a Panamanian company called Southern International Reinsurance were wrongful and ineffective.

Southern International "was not a bona fide insurance company of any kind," alleged the writ, but was controlled by four individuals connected with the two Alexander Howden companies.

Alexander & Alexander Services had arranged for the policies to be rewritten with the Howden Sphere Drake insurance company. But Alexander Syndicate Management disputed the terms on which the reinsurance policies were rewritten.

Yesterday's announced settlement is in respect of a claim of £16.1m against Howden. In the action, Alexander Syndicate Management was seeking £2.9m to commissions due to the syndicates, £7.9m and £5.5m on two offshore "rollover policies." The rollover policies were designed to avoid tax liabilities.

In the settlement, which Alexander Syndicate Management intends to recommend to the underwriting members, the bulk of the disputed items has been recovered for the members.

Although the settlement will be "in full and final settlement" of the disputed claims, underwriting members will not be required to surrender their rights to take legal action in the event of any new claims emerging.

Mr Jeremy Hardie, chairman of Alexander Syndicate Management said: "We wanted to avoid a 'PCW' situation."

In the PCW affair, when Minet Holdings and Alexander & Alexander Services arranged a joint compensation offer worth £40m to 1,525 underwriting members whose funds had been allegedly misappropriated by former senior managers of Minet's PCW agency company, the members were required to surrender their legal rights. This provoked a furious row.

Mr Hardie said that the Inland Revenue had agreed the latest settlement and was taxing the money returned from the rollover contracts.

On syndicate 126, the funds of the offer proceeds will be taxed as part of the run-down proceeds of the syndicate for 1985. On syndicate 127, the offer proceeds will be taxed as underwriting receipts for each of the three years, 1980, 1981 and 1982 to which they relate.

If underwriting members accept the offer the Inland Revenue has agreed that it will not have any further outstanding disputes with the underwriting members.

Key science research 'underfunded'

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN cannot afford to fund research adequately in key engineering and science areas, including advanced manufacturing technology, optical computing and biotechnology.

This is the conclusion of the Science and Engineering Research Council, which yesterday published its first corporate plan for its activities over the next five years.

The council provides facilities and grants from its £300m budget to support research in British universities and polytechnics.

It plans to redeploy £18m of its budget in an effort to strengthen research in some key areas where it believes Britain is in danger of falling behind other countries.

But it concludes that a real increase of about 3 per cent a year – £10m – "would be an extremely cost-effective investment."

The increase would enable the council to benefit more from existing manpower and basic techniques, to underpin wealth creation, says the plan.

The council plans to make "substantial savings" from its annual subscription to Cern, the 12-nation nuclear-physics centre near Geneva.

It will also internationalise its latest and largest research facility, Isis, the intense neutron source which it is commissioning near Oxford.

The corporate plan, prepared at the request of the Advisory Board for the Research Councils which oversees the spending of Britain's £600m science budget, concludes that the council, the biggest of the five research councils, is severely constrained.

Science and Engineering Research Council: corporate plan. Polaris House, North Star Avenue, Swindon SN2 1ET. No charge.

EUROPEAN BANKING

Two French private bankers wait for a new government

BY DAVID MARSH IN PARIS

TWO WELL-KNOWN French bankers, who were displaced by nationalisation in 1982 from loss-making family-owned banks, may be using denationalisation moves from 1986 onwards to complete a comeback on the French financial scene.

Mr David de Rothschild and Mr Jean-Marc Vernes, former chairmen of Banque Rothschild (now renamed L'Europeenne de Banque) and Banque Vernes, have already during the last two years been redressing their fortunes by building up profitable banking ventures in Paris.

While the Government and other parts of the nationalised banking sector have been preoccupied with injecting fresh capital into the former Rothschild and Vernes banks, Mr de Rothschild has established P.O. Banque, a small merchant bank with capital and reserves of about FFr 40m.

Mr Vernes through his holding company, Societe Centrale d'Investissements (in which Mr Marcel Dassault, the long established and wealthy French aviation entrepreneur, also has an important stake) has acquired control of Banque Industrielle et Commerciale du Marais (BICM), with a share capital of FFr 100m ($12.95m). All this has been happening during the 1982-84 period in which the two men's former banks have chalked up large net losses of FFr 1.27bn, a lot of which was due to ill-advised business and property ventures undertaken before nationalisation.

Mr de Rothschild and Mr Vernes have used generous compensation payments from the state—which paid FFr 500m to take over the two banks—to help finance their new, profitable, banking ventures.

Possible sales of state stakes in nationalised banks and industry, which could follow the return of a right-wing government in general elections next March, may give both men further opportunity to extend their new financial empires.

Mr Vernes says he is "open" to all possibilities. One of the opportunities which he will be examining is acquiring, with allies such as Mr Dassault and Mr Jack Frances, the head of the Compagnie Industrielle holding company linked to Mr Vernes' group, a sizeable stake in the nationalised Compagnie Financiere de Suez financial and industrial holding company.

Mr Vernes, who is on friendly terms with two of the principal opposition leaders, Mr Valery Giscard d'Estaing, the former President, and Mr Jacques Chirac, the Mayor of Paris, says Suez will need a strong shareholding structure after denationalisation to prevent the possibility of an unwanted takeover bid from a foreign bank. A stake of 20 to 25 per cent in Suez—whose total capitalisation is estimated at FFr 11bn—held by Mr Vernes and his allies would give it the necessary protection, says Mr Vernes.

Suez should not be sold to "traders" who would most likely sell their stakes later on, but rather to a group which would hold its participation "in the best interests of the nation," Mr Vernes argues. "Under a liberal government, the shareholders will have the liberty of choosing the chairman (of Suez). It should not be exposed to the possibility of an unwanted bidder. Suez needs a (shareholder) association to give it stability," says Mr Vernes.

Although he has less definite plans, Mr de Rothschild believes denationalisation will also present acquisition chances.

The French Rothschild family's business interests—including the bourse-quoted holding companies Paris Orleans and France Erap as well as the unquoted P.O. Banque—could come up with $30m to $50m of investment capacity to acquire assets which may come on to the market from denationalisation.

David de Rothschild: yearning to operate under his own name again

The optimistic state of the Rothschild and Vernes business fortunes is in sharp contrast to the dire position of the family groups when they were taken over in 1982.

L'Europeenne de Banque has since come under the wing of Credit Commercial de France, while Vernes has been absorbed by the Suez group. L'Europeenne de Banque made net losses of FFr 337m in 1984 after deficits of Fr 97m in 1983 and FFr 320m in 1982. It also in 1983 transferred to Suez FFr 505m in loss-making industrial assets. For 1985, L'Europeenne de Banque is expecting to make net profits.

As for Vernes, a 51 per cent subsidiary of Suez through its Banque Indosuez banking arm (the state retains the other 49 per cent) a slim net profit of FFr 12m in 1982 was turned into net losses of FFr 161m in 1983 and FFr 370m last year as a result of heavy provisions. Mr Jean Peyrelevade, the chairman of Suez, which has already injected Fr 30m into Vernes to redress its balance sheet, says more provisions of less than Fr 100m will need to be struck this year, even though Vernes is making an operating profit.

Mr de Rothschild says the takeover price for Banque Rothschild of about FFr 400m represented a "fair" deal. The Rothschild family received a 35 per cent share, representing the stake of the three branches of the family in the bank.

The liquidation value of Banque Rothschild would have been higher, Mr de Rothschild points out. But he says, "Looking at it as a going concern, I never said it was a bad deal. I'm not sure whether it was a good deal."

Mr Vernes says the FFr 100m price tag put by the Socialist government on Banque Vernes was not "despoilment" but still was "less than it was worth." The Vernes family received 33 per cent of the takeover price, which Mr Vernes put towards his stake in BICM.

As for the future, both Mr de Rothschild and Mr Vernes are self-assured. "There is a need for small French merchant banks," says Mr de Rothschild. P.O. Banque's profits were a few hundred thousand francs last year, reflecting the bank's start-up in July 1984. This year, pre-tax profits are likely to be about 20 to 30 per cent of the bank's net worth, with business expanding in the areas of portfolio management, where assets under its control total about $300m, and corporate finance. Mr de Rothschild's target is to turn earnings in three years' time of 50 per cent of net worth — which by then he believes will total about FFr 40m to FFr 50m.

At BICM, Mr Vernes expects FFr 15m to FFr 16m net profits this year compared with FFr 8m last year. Mr Vernes' burning ambition is to win back, after a likely change of Government next year, the name of Vernes for his new bank.

Mr de Rothschild is also yearning to operate under his own name again. Although a statue of James de Rothschild, who set up the family's Parisian business in 1817, adorns P.O. Banque's modern office entry hall, Mr de Rothschild was given his banking charter by the French authorities last year on condition that he did not re-use the family name. "It was difficult to get the charter and the name at the same time," he says. "We market the firm and the products as if it were Rothschild. But by 1987-88 we would prefer to put the name back on the door."

Company Notices

RIGGS NATIONAL CORPORATION
USD 60,000,000
FLOATING RATE SUBORDINATED NOTES
DUE 1996

In accordance with the provisions of the notes, notice is hereby given that for the period 18th December, 1985 to 18th March, 1986 the notes will carry a rate of interest of 8¼% per annum with a coupon amount of USD 206·25.

CHEMICAL BANK
As Agent

PKbanken
US$50,000,000
Subordinated Floating Rate Notes
Due 1991

For the six months, 19 December 1985 to 19 June 1986, the interest rate has been fixed at 8.125% per annum. Interest payable on 19 June 1986, will be US$410.76 per note of US$10,000 denomination.

PK Christiania Bank (UK) Ltd.
Agent Bank

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Arbobyl -picking up the pieces

David White reports on a company which takes on others' unwanted activities

Nigel Hawker

ARBOBYL is a British-registered company with a strong Italian flavour, and its main activity in Spain. Practically unknown by its own name, it has group sales approaching £100m a year and more than 4,000 employees. Its line of business is extremely unusual: taking over operations that multinationals are desperate to get rid of, even if they have to pay to do so.

The company describes itself as "an experienced management team specialised in turn-around situations," and its aim as "exclusively to take over and restructure companies in severe financial and operational difficulties."

Arbobyl is the new force behind the company still known as Westinghouse SA (Wesa), the former Spanish subsidiary of Westinghouse Electric Corporation of the US and a leading producer of heavy electrical equipment for the Spanish market.

The new management's "aggressive" approach (Arbobyl takes pride in the word) is already making its mark with surprising novelty ideas. Alongside the generators, transformers, switchgear, locomotives and motors which have made up the business up to now, Wesa is branching out: electric buses, one day, possibly, helicopters. And in the land of Don Quixote, Arbobyl is thinking of re-inventing the windmill; a project to manufacture a new system for wind-generated power could, it says, bring orders equivalent to Wesa's current £40m annual turnover.

When it agreed last year to take over Wesa, with its five factories, Arbobyl was making its first move into Spain. It now has more than half its turnover in Spain and sees itself becoming increasingly Spanish-oriented. Having started in Italy, it regards Spain on the eve of EEC entry as being in a similar situation to Italy 10 years ago, with companies in urgent need of adaptation but faced with stiff trade union resistance.

Arbobyl does not boast either financial muscle or technical expertise. Its share capital stands at £5m—increased recently from £2,000, by capitalising retained earnings. The company itself is made up, according to Nigel Hawker, one of its two directors and managing-director of Wesa, of "half a dozen trusted executives, more or less."

Arbobyl had a hard time persuading Spain's Socialist Government of the honesty of its intentions. This year it ran into a similar wall of scepticism in Belgium, where it was negotiating to take over another Westinghouse subsidiary, Ateliers de Constructions Electriques de Charleroi (Acec). There the Belgian Government turned it down in favour of another solution. But in Spain the only alternative would have been liquidation.

At the time of the takeover, which came three years after the first contacts, Wesa's losses were 10 per cent of turnover and it had obtained temporary court protection from its creditors. The US parent, which had been obliged to plough in more and more capital, was frustrated at being unable to reduce the workforce in line with the reduced demand that resulted from cost-cutting by the State railways and a drastic trimming of Spain's nuclear energy programme. Since taking over its Spanish licensee in the late 1960s, it had never received a dividend.

The company has been separated from Westinghouse's other Spanish activities in defence and nuclear know-how. For the sake of appearances, Westinghouse Electric retains a buy-back option and is ceding its shareholding in two stages: 42 per cent at first and the remaining 51 per cent after the end of this year. But it has already given up its voting rights. Officially, the shares changed hands at a nominal price. But financial assistance from the previous owner is reckoned to have been more than enough to cover Arbobyl's initial commitment to invest Pts 2bn (£8.7m) in Wesa.

Arbobyl's strategy of starting out on a "negative cost basis" translated last year into a £7m profit received at parent company level.

But what can an organisation like Arbobyl do from now on with a company like Wesa that Westinghouse Electric could not? Hawker, who counts on there always being a market for heavy electrical equipment, believes an agile and independent management has at least four advantages over a multinational: it does not have to fit in with a larger group's strategy on products and markets; it does not have to refer decisions to head office; it can be tougher on labour; and it does not have to comply with US as well as local laws.

Arbobyl, Hawker says, is already making its name in coping with businesses that have been total disasters. For every deal it closes, it claims to receive 20 contacts.

Its origins were in the GMR group run by flamboyant Italian entrepreneur and Seychelles resident, Giovanni Mario Ricci. After some political rumbles over the takeover of Autovox, a former Motorola offshoot, in Rome, Ricci sold out and the companies controlled by GMR were taken over by the new Lugano-based company, Arbobyl, in 1983. The shareholders of Arbobyl are believed to be Italian friends of Ricci.

Hawker, a 39-year-old Canadian-trained British accountant, was working for a US group in Italy when GMR took its operation over. He switched horses. His home and family are in Nice, from where he commutes every week to Madrid.

After disposing of some of its interests, Arbobyl now controls four companies. In Italy it has Sisme, an electric motor producer taken over from Ranco of Ohio, and International Plastics, a plastic-bag manufacturer which used to be part of the Mobil Group. The former makes profits and the latter, which Hawker says was losing 25 per cent on sales without taking interest expenses into consideration, is expected to come out of the red this year. In Spain, it added RE-Con, a motor components unit formerly belonging to the Singer company, just over a year ago.

Because of the Spanish acquisitions, its industrial operations are making an overall loss. Wesa is by far the biggest challenge it has taken on. An early retirement plan has reduced the labour force by 330 to its current level of 2,500, but Hawker reckons that on current business levels it still has at least 800 too many. He is counting on state aid for the electrical capital goods sector to help pay for voluntary redundancies.

Installed in the company's dingy headquarters in the old-fashioned commercial centre of Madrid, he is trying to overcome what he describes as "a profound lack of business mentality" in the organisation. When he arrived, he says, there were three uniformed chauffeurs to salute him. "Now, thank God, we've only got one."

He found the Spanish executives to be good technicians, but accustomed to simply passing on orders. The company has, for instance, been making railway engines for 50 years, but has no in-house capacity for designing them and is still manufacturing only under licence, from other, foreign, manufacturers.

Of the top six managers, three have either been fired or resigned; they did not, Hawker says, fit in with Arbobyl's "aggressive entrepreneurial approach." This is par for the course. "Our experience is that half the top management leave because they can't stand our style."

The first fruit of the new "hungry" approach was the landing of a contract from the Moroccan City of Casablanca for electric buses — which Wesa has never made. Hawker admits openly that a US concern, "with the way US companies are obliged to do business," would have been unable to clinch the same deal.

But the need to find products adaptable to Wesa's industrial installations and to its human capacities limits the opportunities for diversifying. Along with its competitors, it is negotiating a plan with the government to reorganise electrical capital goods and define each company's role in the industry.

In the meantime, Arbobyl appears undeterred by its continuing heavy losses at Wesa. Another Spanish acquisition, Hawker says, is on the way.

Vista Chemical

Confronting the unexpected

Terry Dodsworth on a US buy-out

Within a few weeks of John Burns (right) and his management team buying Vista from Conoco, PVC prices collapsed

A FEW YEARS from now, John Burns could be quite a wealthy man, but for the moment he is thinking much harder about the risk of sinking beneath a mountain of debt. "Investors like it this way," he says. "It gives them a substantial degree of comfort to see that management people have mortgaged their children's education to buy their equity. They want committed people."

Burns is chief executive of Vista Chemical, a Houston-based commodity chemicals group which used to be part of Conoco, the oil company acquired by Du Pont in 1981. Courteous, articulate, impeccably turned out, he and his top management team would merge smoothly into any of the big US corporate bureacracies. But today they are on their own, minority participants in the group's equity following a management buy-out 17 months ago.

Vista achieved its independence in a $500m deal that was then the biggest management buy-out of a divisional unit of a large public company. The deal was put together by E. F. Hutton, the Wall Street investment bank, in what appears to have been a fairly standard fashion. Although Vista has not given precise details of the financing, probably around 60 per cent of the purchase price was put up by the banks in the form of variable rate debt with a first charge on assets, a further 30 per cent by institutions as fixed rate subordinated debt, and the residue as equity held by the institutions, E. F. Hutton and managers.

In many ways, the newly-organised company was a typical product of the buy-out phenomenon. Du Pont did not want to retain the division because it was anchored in mature markets —PVC plastics and detergent additives—*without any prospect* of above-average expansion. The buy-out investors, on the other hand, saw stability and predictability in these *same low growth* characteristics.

In the event, the first year turned out to be anything but predictable. *Indeed, within a few* weeks of going independent, the senior management was scrambling to cut costs in its PVC division as prices plunged to near break-even levels. They had seen nothing to compare with the collapse before, and it "certainly got everyone's attention and probably scared a few people to death," says Burns.

The crisis also brought home the *realities* of ownership. There are 39 managers in the Vista buy-out team, and between them they own a little *under 10 per cent of the equity* of $50m—an average of a little under $130,000 each. To buy their piece of the action, many *of them have had to go deeply* into debt with their bankers. The profits potential of eventually re-floating a $500m company on such a limited ownership base hardly needs to be stressed, but the risks in the leverage proved to be equally daunting at a time when the prospects for one of the main product lines began to look sick.

During the PVC price slump, which suddenly vanished after some of the less competitive companies were shaken out of the market, the Vista management team reacted in ways they would not have recognised under Conoco.

"We formed task forces, eliminated all kinds of fixed costs and identified quality issues," says Burns. "We solved more key problems and made more progress in the next six months than we had in the previous six years."

This reaction reflects a cultural change which has swept away many traditional big company attitudes at Vista. The plush new headquarters, built in Conoco days to the spacious standards of a go-go industry, is a palpable reminder of the *sort of corporate environment* which bred the Vista management team. But senior managers say that the mood changed rapidly once the buy-out had gone through.

To some degree, this adaptation was involuntary, a subtle *shift in* attitudes to work under the stimulus of a more loaded system of risk and reward. "Up to this time we have been more awed by the responsibility than the thrill of ownership," says John Weidner, director of finance and employee relations. "But do we work harder? Yes . . . believe me, it *is better to be one year into a* buy-out than just starting one."

There was also, however, a deliberate attempt to adjust the company to *its new status* as a much smaller business responsible for its own destiny. The management decided to cut out a variety of perks they had regarded as normal or even essential in the past. Says Burns: "In big companies managers find ways of justifying these things in terms of entitlements. But we decided they were really not related to making money."

Vista also set about jettisoning the more tangible costs of *being part of a larger organisation.* All the paperwork involved in reporting to upper management and other functional managers was cut out.

"In a big company, if you don't sell your programme you don't get the funds," says Burns. "But now we have more time to work on our own problems because we are spending less time trying to figure out how to explain things to senior management." Vista reckons that it stripped out costs of around $18m last year by tightening up in these areas.

The other significant change has come in financial management. Although Vista inherited sophisticated financial reporting and control systems, it has made a crucial alteration aimed at *conserving* cash and reducing working capital. Under a new bonus system, managers are rewarded for reducing the funds tied up in *inventories* — a scheme which reflects the fact that the value of the group's equity increases to the extent that the borrowings funding stocks can be brought down.

The combination of this cash conservation programme with the cost-cutting efforts and a sound operating performance has seen Vista through to a satisfactory conclusion of its first 17 months of independence. It paid no taxes — it does not expect to incur any for about three years — and was also helped by the decline in US interest rates, with the net result that in its first full fiscal year it reduced its debt by around $50m. It had started out with about $500m of borrowings.

Additional cash has been generated by reducing capital expenditure, but the company is now beginning to push investment up again as it looks towards the future. John Langford, head of the marketing department, says the company has at least two years' worth of new ideas in its locker.

Langford, a tall mid-Westerner who *oozes* enthusiasm, concedes that both of Vista's product lines face competitive pressures, with the detergent products challenged by new processes, and PVC increasingly exposed to the challenge of overseas manufacturers. But he argues that the group is in much better shape to defend itself than ever before.

"Conoco and Du Pont are *very good* companies, but particularly Du Pont had this inward way of looking at things where people performed in certain ways to get promoted. We have a much more workmanlike atmosphere here today. We are competing with people who are sitting there worrying about the next reorganisation or getting their memos in on time. Sometimes it's like shooting ducks on a pond."

THE ARTS

Television/Christopher Dunkley

Slow boat turned into a better channel

Queens' College, Cambridge: the best days of many lives

Running a broadcasting service seems to be rather like commanding a very large crude carrier. The similarity lies not in the vast quantities of crude that are shifted (just where is all this sex that certain newspapers keep saying Mary Whitehouse is worried about? Violence on television is frequent and sickening whereas sex seems to be disappointingly illusory) but in the awful delay which occurs between a touch on the helm and the VLCC coming on to a new course.

Some time ago it was being said—in this column as early as anywhere — that if the BBC was to fight off those intent upon subjecting it to market forces it would have to look to its laurels. At that time commercial television seemed to be winning everything hands down: Channel 4 was attracting all the praise for new ideas; *Brideshead Revisited* and *Jewel in the Crown* were collecting prizes everywhere; ITV arts programmes, ITN news and ITV current affairs looked better than their BBC counterparts. And ITV was pushing its ratings advantage perilously close to a 60:40 split.

The ominous question was, who needed a big public service broadcasting organisation with a licence fee of £46 or £58 a year when commercial television was capable of winning the prizes, the plaudits and the audience, and all with a system of finance so disguised that most viewers regarded ITV as "free"? It was suggested here that in order to survive the BBC would have to create a successful soap opera as a ratings "banker" to match *Coronation Street*, re-establish the reputation of its flagship news programme, and then ensure once again the regular production of those high quality series which excite opinion formers even if they do not top the ratings.

No doubt those running the BBC recognised all this before I did and started adjusting the helm long ago, yet it is only now that we are seeing the effects. In just under a year *EastEnders* has climbed over *Coronation Street* to top the ratings regularly. *Panorama*, having been shortened, moved to a new time and switched to an all-film format, is attracting an audience 50 per cent bigger than before. The *Nine O'Clock News* has been re-launched and although *News at 10* usually looks the better programme still, the BBC is clearly attacking the problem. And though the ratings are still splitting in ITV's favour, the gap has been narrowed to about 47:53, a satisfactory enough share for the BBC.

Above all it is the general feeling which has changed. As we approach the end of the year the programmes being sought out by discriminating viewers all seem to be BBC series. *Comrades* (discussed here three weeks ago) is providing a uniquely intimate view of the Russian people on BBC2. *Edge of Darkness* (discussed here last week) which was screened first on BBC2 and has just been repeated on BBC1 is the best drama serial of its sort to be shown in years. And tonight brings the last episode of *Queens': A Cambridge College*.

This 10-part series of 40-minute documentaries has been an admirable example of what public service broadcasting should be doing. It seems that now the BBC must contrive somehow (with series such as *EastEnders*) to please all of the people some of the time if politicians are to be persuaded to maintain its existence. But unless the Corporation then goes on, always, to make series such as *Queens'* its claim on our time and our pockets will keep being called into question.

Queens' is in a clear tradition of BBC documentary series anatomising public institutions, stretching back through *Police* (1982), *Public School* (1980), *Strangeways* (1980), and *Hospital* (1977) to *Sailor* (1976). All of these have been good, some better than others, but there have been mistakes along the way. *Police* for instance adopted a "fly on the wall" technique which proved to be more a part of the problem (of how or even whether television can reveal the workings of an institution) than of the answer.

With *Queens'*, however, the technique looks mature; indeed the series has been a delight to watch for its sheer professionalism. As with so many programmes, virtually all the Press comment so far has been on the subject matter; the reaction has consisted largely of university criticism. We are told the series proves that Cambridge is an elitist place (an accusation made repeatedly within the programmes themselves, as though the critics believed universities should select a representative proportion of nitwits) and there have been the predictable knee-jack responses to the rugger hearties who put furniture on roofs and are rude to college servants (servants whose activities provided one of the best programmes in the series).

It seems worth saying that all this was brought to our attention in a series of superbly crafted programmes which — flatteringly for producer Michael Waldman — are apparently accepted as gospel truth by those who use them as ammunition with which to attack selective education. Personally I doubt whether the Latin praying Dr Diggle can really be quite the pantomime academic who has come across to us, and consequently I have slight reservations about some others too. However, the broad impression of Queens' conveyed by Waldman seems persuasively coherent and credible. He has shown us the selection procedures, administration techniques and domestic arrangements. We have followed the pursuit of many enthusiasms—drama, rowing, music, demonstrating—and shared, excruciatingly, in failure.

Given one's general knowledge of student life two topics may have been under-represented: sex (which would have been tricky but not impossible to expand) and the actual teaching/learning process which was covered in surprisingly few clips, all brief. Those reservations aside, Waldman has delivered what his title promises: a picture of life in one college. He has not used a reporter nor does he pretend to be an invisible fly.

Often interviewees have been responding to questions, but practically all the questions have been cut so that all the time is given to the true subjects of the series. Where he has cut long interviews Waldman has sometimes faded to black rather than employ the cosmetically prettier but ethically doubtful cutaway. The editing (much of it by Liz Tennent) has often been exquisite. I remember a delightful sequence alternating between William Fallon's conducting of "Gerontius" and his job-hunting tour through the Marks and Spencer knickers.

What the series has conveyed, perhaps most powerfully, is that odd, yet unmistakable, atmosphere of sweet melancholy which envelops the university, produced maybe by the premonitory realisation that these lyrical days of youth beside the Cam will probably be the best of many lives. The signature tune and Waldman's quiet cutaways to glittering water or light through stained glass helped in this, but it emerged most of all from the commentary, written and narrated by Roger Mills, the producer of *Hospital* and *Public School*.

Documentary script writing is a skill *sui generis* and Mills is a master. "Over the days that pass so sweetly hangs the shadow of exams" he said in the episode called *Failing*. "As June approaches, Queens' College Library, which was once its chapel, is dotted with prodigal sons and daughters paying penance for those lost hours of lotus eating." Tonight he describes students "deadening the pain of partings in a panoply of distraction." Too often documentary commentary is merely of the tautological practice known in the business as "writing to picture." Mills extends the total effect.

Thanks to excellent series such as *Queens'* the BBC is for the moment top dog again in British television, and may well win the Christmas contest too. In view of the Peacock Committee's instructions to report on the BBC by summer 1986 the resurgence could hardly have been better timed if ITV had been quietly co-operating in the hope of avoiding a new commercial competitor . . . . .

Julius Caesar/Coliseum

David Murray

Having seen the English National Opera's *Julius Caesar* previously only on television, I was not prepared for the golden spaciousness of the production in the theatre, revived on Monday. John Copley has used the big stage well and simply; John Pascoe's sets are bold and handsome, excellent showcases both for the stately action and for Michael Stennett's ingenious period-straddling costumes (one foot in Cleopatra's Egypt, the other in Handel's own age). Robert Bryan's lighting enhances it all.

The television version had also, I thought, caught Valerie Masterson's Cleopatra a notch below her best. It is exciting to find her in superlative form: a pretty, clever portrayal adds lustre to a dazzling range of Handel singing. Her chain of arias in the second act amounted to an unqualified tour de force—I regretted only that her brilliant flirtatiousness (with extravagant vocal ornaments) in her penultimate aria there left her closing prayer a bit cross-eyed. Ravishingly sung, certainly, but what preceded had given no basis for such anguished sincerity: Handel's audiences doubtless swallowed such radical switches more comfortably than we can do.

Everybody has been encouraged to ornament *da capo* repeats to the hilt, and guessing how far they will go is one of the pleasures of the performance. James Bowman's counter-tenor Ptolemy does his turns with negligent ease and

Alastair Muir

Valerie Masterson

an edge of campy comedy, and he is in fine, penetrating voice. Another good, stylish counter-tenor is Tom Emlyn Williams as Cleopatra's eunuch. In such company, however, a sober counter-tenor Caesar must have a hard time.

The role is one of those Handel castrato parts that we shall never hear as it was intended to sound. In this production it was originally taken by Janet Baker, who could simply proceed on the premise of having the wrong vocal colour and the wrong sex, and triumph with what she could offer instead. Christopher Robson, fresh from his admired Akhnaten in the Philip Glass opera (and not so very different: same sweetly contained manner, though no breasts), has the drawback of cutting a good masculine figure. The oddity of a fluting Caesar voice is not easy to ignore, and though Robson provides some highly refined soft singing, the more "militantly" virile arias seem like pastel copies of grand lost canvases — the castrati were powerful coloraturas, not gentle trebles.

There is a new Egyptian général, Achillas, by the staunch Willard White, who brings his usual distinction to a tough, not very generous role. Sally Burgess repeats her fiery young Sextus with lively despatch and much feeling. Though Jean Rigby's dark, impassioned timbre ought to suit the constantly grieving Cornelia well, she betrayed some first-night irresoluteness. The tempo of her first lament sounded implausibly slow; surely the orchestral writing suggests a stronger pulse?

Sir Charles Mackerras and Miss Rigby will surely sort things out within a performance or two. In all other respects Mackerras's conducting is everything one would expect of this distinguished Handelian, and more. The orchestral contribution, beautifully honed, is rich in expressive detail—Mackerras has a delicate sense of how to emphasise a chromatic nuance without brandishing it. That is yet another satisfying feature of this greatly rewarding revival.

A Lie of the Mind/Promenade, New York

Frank Lipsius

Sam Shepard had written 40 plays in 22 years, winning a Pulitzer Prize and 11 Obies, but he finally gained national recognition not as a writer but as an actor, playing the flier Chuck Yeager in *The Right Stuff*, and, as the consort of actress Jessica Lange.

Such recognition might seem sure to intrude on a renegade spirit intent on exploring American society in the narrow range between drifters and working classes. But judging by his latest work, *A Lie of the Mind*, recognition has rather sharpened Shepard's perceptions. The exuberance of his plot had been disciplined in a complex and demanding storyline without lessening his characters' intense expression, whether it be in words, violence or when crawling on their knees.

The play begins as pure Shepard: Jake bangs the phone against its metal casing in reaction to his brother Frankie's comments on the news that Jake thinks he has killed his wife Beth. The stage is then split between Jake's family to deal with his overwhelming guilt and violence and Beth's recovery half a continent north in Montana.

Other familiar Shepard characteristics include cowboy music provided by the Red Clay Ramblers, a five-piece group which fills in between scenes with down-home, twangy country and western tunes, and the third-act soliloquy, performed here by Karen Young as Sally, Jake's younger sister, who tells the dark secret of Jake's responsibility for letting their father get drunk and run over.

As director, Shepard softens the rough edges of his characters, though they still exhibit egregious behaviour — the violence of both Jake and Beth's father (who accidentally shoots Frankie, played by Aidan Quinn while deer-hunting) or the brain damaged Beth (a condition inflicted by Jake's beatings). The performance is paced so that climatic confrontations are down-played and the powerful clashes between Sally and her mother, played with an amusing single-minded defence of her son by Geraldine Page, are absorbed into near-normality.

Shepard's recognition has revealed some of the autobiographical aspects of his plays: his own father, for instance, died in circumstances similar to those of Jake's father. The playwright has extended his range of characters: adults Ann Wedgeworth and James Gammon as Beth's parents, and Miss Page maintain apparently sensible perspectives by limiting their perceptions. But the young generation are all wild in some way. Will Patton makes Beth's brother Mike understandably concerned to elicit an apology from Jake, but with such venom that he loses sympathy, while Harvey Keitel as Jake and Amanda Plummer as Beth are the possessed who give rousing renditions of Shepard's breathtaking exploration of the lie of the mind.

Dracula/Lyric, Hammersmith

Martin Hoyle

Out for the Count is the subtitle of Charles McKeown's Christmas vampire re-vamp; which gives you an idea. Mr McKeown was the co-author of *Brazil*, and as an actor has been seen in Monty Python films and the odd *Fawlty Towers* episode. Good comic credentials, all.

Unfortunately neither he nor the Lyric company seems sure what the ultimate aim is here. Television comedy-type gags, end-of-term send-up and pantomime slapstick are put over by a likeable cast, but the piece never hits its stride. It is jerky in pace and, under Peter James's ambling direction, finally limps, broken-backed, through an interminable final scene that throws in magic levitation besides Sylvester's McCoy's zany clowning, spoof Busby Berkeley and Dracula miming to Jack Buchanan's "Good-night, Vienna" before receiving a stake through his heart.

Bram Stoker's characters are transplanted to 1932. Roger Glossop's black and silver Art Deco set impressively houses Dr Seward's sanatorium. Distant dogs howl ("like living at Crufts," mutters the good Doctor), closed curtains open by themselves, a pouffe (the item of furniture, that is) glides across the stage.

It enables Silvestra Le Touzel to appear immaculately Marcel-waved, lips as black as the rims of her eyes, to give the play's best performance. A hint of Gloria Swanson in her chin, she registers panic with the aghast statelines of the immortal Margaret Dumont bridling at a (Groucho) Marxist outrage. She is no less remarkable as a vampire, nervously spluttering "thunrithe?" (trouble with her fangs) or crossly jumping up and down while trying to bite the neck of her stalwart fiancé.

The sum total of Dracula's evil is to plunge into another mimed golden oldie with a bevy of undead Jean Harlow lookalikes who irritably get their choreography (by Liz Whiting) wrong. A nice idea, but one longs for pleasant and attractive Tim Flavin, the superb dancer from *On Your Toes*, to launch into something flashier.

Among the divergent comic styles, Terence Longdon's Doctor is impervious normality, Simon Shepherd's Harker a splendidly fatuous upper-crust hero, and Silvester McCoy runs amok in the front stalls with a chicken. This he used to belabour one of my senior colleagues who looked much shaken. No unifying style: two intervals stretch some good lines and some funny business over a perilously long and insubstantial evening.

Alastair Muir

Tim Flavin and Silvestra Le Touzel

Bridge's Violin Sonata

Andrew Clements

Charles Libove plays the violin, his wife Nina Lugovoy the piano. This American duo's recital of sonatas on Monday night at the Wigmore Hall contained one substantial rarity in the shape of Frank Bridge's Sonata of 1932, together with the second of Beethoven's Op 12 set of sonatas, and Prokofiev's F minor, Op 80.

"Late Bridge," in other words the works written after World War I, has acquired a special aura in English music circles. It is paraded as the British response to the Second Viennese School, and to the music of Alban Berg in particular.

Certainly Bridge's later pieces use a language of far greater pungency than the cosy pastoral idiom of their predecessors, but the result is not necessarily as convincing. The more one hears such works as the Third and Fourth String Quartets, the Second Piano Trio, the piano-and-orchestra *Phantasm* and the cello concerto *Oration* the less personal they sound, and the more it seems as if the expressionist gestures became a mask behind which Bridge could hide his genuine character.

The Violin Sonata further underlines this impression. An extended, four-movement work, the movements designed to follow one another without pause, it possesses no striking ideas nor pervasive mood, other than the nondescript chromaticism which sounds suspiciously cosmetic. I'm not convinced Bridge genuinely understood the musical material he was handling, nor the ethos that first led the Viennese composers to explore it. Where the pre-1914 pieces suggest a positive if small-scale talent, the Violin Sonata sounds the work of a competent but unoriginal dabbler.

Perhaps a more sensitive performance would have made the structure coherent and given the ideas a purpose. But Libove and Lugovoy proved to be an undistinguished partnership. Neither the Bridge nor the Prokofiev was as scrappily presented as the Beethoven sonata with which they began, in which not one phrase seemed in tune and the piano remained mercilessly monochrome. The raw tone and the rough-and-ready phrasing persisted throughout the evening, however, and thought of any interpretative niceties seemed entirely superfluous.

Trickster Theatre Company/The Place

Antony Thorncroft

A darkened stage, empty but for a large trunk; ethereal music heralds a slow dawning of light. From the trunk six shapes slowly and hesitantly emerge, resembling elasticated peanuts. They peer around, extending and shrinking in size as they get their bearings, before clambering out to acknowledge shyly the audience. They are a band of extra-terrestial entertainers bringing to earth their magical skills. In other words they are the Trickster Theatre Company in a new show, *Charavari*.

Trickster was formed four years ago and is one of those troupes more honoured abroad than at home. This is hardly surprising since its stock-in-trade is that very un-English mix of skills—mime and magic, juggling and acrobatics, fantasies and illusions. Apart from a few Bill-and-Ben like twitterings the performers act with their silent bodies, stretching them through stills into the shapes of mysterious birds and elephants, hiding them away in odd disguises so that you wonder how a human can operate that lizard-shaped creature, never removing the masks which emphasise their removal from reality.

When they are not performing visual trickery behind transparent curtains, or taking the shape of a giant pair of teeth (surmounted by two ghastly eyeballs) to indulge in some conventional magic tricks, the three man, three girl group tumbles and cartwheels, builds human pyramids and generally shows off the flexible bodies. Music and lights are well used to emphasise the dreamy sequences.

The show ends with a political point: an alien figure, dressed as a capitalist, bewitches the innocents and forces them to fight among themselves, a climax which goes against the child-like attractions of the show. Trickster is presenting an alternative pantomime, which would probably be ideal for old-fashioned little girls. It is rather self-congratulatory, but there are enough puzzling and beguiling images and routines to make the company giants in this under-occupied theatrical area.

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Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 13 – 19

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable merangue of a musical. (834 1317, credit cards 828 4735).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

NEW YORK

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

WASHINGTON

Woman and Water (Arena): The latest instalment in playwright John Guare's American Civil War tetralogy follows further adventures of Lydie Breeze in mid-19th-century Nantucket. Ends Jan 5. (488 3300).

Aren't We All (Opera House): The play is nothing compared with the performances of Rex Harrison and Claudette Colbert, who cavort delightfully in an old-fashioned drawing-room comedy now making its rounds across America. Ends Jan 5. (254 3770).

A Seagull (Eisenhower): Colleen Dewhurst stars in Peter Sellars' latest production for the American National Theater, which is bound to be imaginative and untraditional in a tradition Sellars is establishing on his own. Ends Jan 11. (254 3670).

CHICAGO

King Lear (Goodman): The Stratford Festival of Ontario production puts Lear in a rustic setting that looks much like the North American frontier. Ends Dec 22 (443 3810).

Saleroom/Antony Thorncroft

Racing scene for £24,200

One of the saleroom features of the past year has been the rise in price of Australian pictures. At Phillips yesterday a sporting scene by Thomas Hamilton Lyttelton depicting the water jump in the autumn steeplechase at the Ballarat races in Australia, which must have been a very lively occasion in Gold Rush days, sold for £24,200 to the London dealer De Noon.

This was the second time that the painting had passed through the auction rooms this year. In April Grants of Worcester sold it for £3,000. The buyer, when she realised its value, did not want to be bothered with the insurance problems and quickly re-sold it.

Phillips' sale of British pictures did well, with a total of £286,980 and around 12 per cent bought in. A painting by John Glover of a town in Switzerland, probably Chur, was on target at £26,400. What makes this picture unusual is that it was painted in 1833 when Glover was actually living in Tasmania.

A portrait of Mrs Anne Gisborne by Joseph Wright of Derby made £11,000 to Lane Fine Art of London who also paid £33,000 for a portrait of a lady, catalogued as Studio of John de Critz, the Elder, and dated 1536. An attractive oil painting by William Prinsep of the landing stage built in Calcutta to honour the achievements of his brother James, the civil servant and writer, sold for £13,200, slightly below forecast.

Across London, at Christie's, Old Master pictures were having a few problems, with a total of £556,750 but 38 per cent unsold. The top price of £34,560 was paid for an attractive portrait of a little girl holding a parrot which was catalogued as "Circle of Cornelius de Vos" and dated 1629. The top estimate had been £12,000.

Another pretty picture, this time of three children and attributed "Follower of Drouais," made £30,240. The last time it appeared at auction, in 1931, it had been confidently attributed to the French 18th century artist. The painting is interesting for the range of contemporary toys it portrays. The top estimate here was £10,000.

A portrait of a girl, "Circle of Dirck Dircksz van Santvoort" did well at £21,600 and a companion painting to the "Follower of Drouais," showing three more children, this time with musical instruments, sold for £17,280. A Venetian scene, after Canaletto, made £14,040 and "a dance in an elegant pavilion," attributed "after Nicolas Lancret," found a buyer at £12,960; last time it was offered at Christie's, in 1957, it was attributed to Lancret but was unsold at £380.

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Moral hazard of the Bank

The British government has grappled with an age-old question—"Quis custodiet ipsos custodes?"—and provided an answer in its White Paper on banking supervision: the Bank of England, which will continue as the supervisory authority in London, will in future have its own activities supervised by a new Board of Banking Supervision.

This supervision, together with the closer co-operation with bank auditors which has already emerged in the Leigh-Pemberton report on Johnson Matthey Bankers as a high priority, should certainly help to prevent the kind of errors in supervisory policy which allowed the JMB affair to happen. JMB was an upper-tier bank, and supervision here was, as it turned out, altogether too gentlemanly. The Government will not only install a Board to prevent this kind of clubbishness, but also abolish the two-tier system.

So far so good: but while the White Paper thus answers some urgent questions about the Bank and its supervisory role, it leaves some supervisory questions unanswered, and does not at all address some still more fundamental questions about the relationship between the commercial banks and the investing and depositing public.

Effectiveness

So far as can be judged from the White Paper, the Government's aim is simply to make the present system work better—a system based on maximum information for the Bank of England, and minimum information for anyone else. There are strong arguments, however, for changing the basic aims of the system, both for the protection of investors and, more importantly, to avoid what has become known as moral hazard. In short, the Government should give more stress to another classical tag—caveat emptor (or in this case, caveat depositor).

The unsolved supervisory questions are mainly concerned with manpower and training. The powers of the new Board—and especially the fact that the Bank must inform the Chancellor if it means to override any advice from the Board—look adequate; but its effectiveness will depend very largely on how it is manned and staffed. Despite the presence of "outside" professionals, it could too easily fall prey to the City's taste for having all its gamekeeping done by ex-poachers.

Equally the Bank itself will be more fully armed with powers to require information, backed with criminal sanctions against those who try to mislead it; but the effectiveness of these powers will be no higher than that of the staff who deploy them. The Bank's own supervisory staff will be raised from 100 to 125, and more highly trained, which does not look adequate for a major international centre in the throes of a revolution. Equally, it would be comforting to know they could tap the advice of specially qualified bank auditors, as in some other countries: in Britain the task is left to general accountants.

Creditworthiness

However, the most important issue is not addressed at all, except in a fatuous sentence of advice to depositors to remember their own responsibilities. Depositors cannot choose wisely without information. The US depositor (we are concerned here with the large-scale professional depositor) can look up consolidated figures breaking down a bank's loan portfolio by country, details of loan loss provisions in the profit and loss account and reserves against questionable loans in the balance sheet, of non-performing loans regarded as recoverable, a breakdown of income and expenses, and a clear figure of free reserves. None of this information is required of British banks—except, ironically, three of the four clearers, who have chosen to issue securities in New York and thus to meet the NYSE standard.

Full disclosure would fulfil a number of functions. It would act as a discipline on management, would enable the market to make adequate analysis of creditworthiness, and would actually assist the supervisors—a sudden surge in demand for official discount facilities is often the first sign that there is suspicion at large in the market. Most important, it attacks the problem of moral hazard, the carelessness which arises because depositors feel sure that any mismanaged bank will be bailed out. That is indeed something near a moral obligation on the Bank of England as long as it maintains a monopoly of the information which might have warned depositors. Secrecy is thus a moral hazard to central banking itself.

Japan's industry spreads abroad

THE DECISION by Komatsu, the Japanese manufacturer of earthmoving equipment, to start making its products in the UK is part of a familiar modern tale of trade between Europe and Japan. All the elements are there: aggressive Japanese marketing, the inability of the European companies to respond, protectionism, followed by Japanese direct investment to get round that protection and to defuse it.

Between 1979 and 1984 the Japanese share of the British market for hydraulic excavators rose from 3 per cent to 41 per cent of which Komatsu had 12 per cent. Under this degree of pressure 19 European manufacturers urged the European Commission for anti-dumping action against Japanese importers. Their claim was eventually upheld and Komatsu, for instance, found itself contending with an extra 26.6 per cent of import duty.

With this background it is hard to present Komatsu's decision to create a 270-man factory near Newcastle-upon-Tyne as part of a natural Japanese tendency to invest abroad, driven by considerations of competitiveness and comparative advantage. Like the UK television plants built by the Japanese electronics manufacturers in the 1970s, or Nissan's hugely publicised decision to start building cars in Britain, Komatsu's move will doubtless be viewed with great suspicion by its European competitors. It will be called cosmetic, a token presence, and critics will claim that while 60 per cent of Komatsu's British excavators will be sourced in the UK, this will be the simple 60 per cent—the sophisticated hydraulics and engines will be shipped in from Japan.

Investments

Yet, despite the undoubted poker element, there are good reasons for being enthusiastic about Japanese investments of the Komatsu sort. They will make steadily more conventional economic sense at time goes on. The marked strengthening of the Japanese Yen is already eroding the artificiality of Japanese manufacturing investments in Europe. Teruyuki Yamazaki, whose machine tool company is currently constructing a controversial manufacturing plant in the UK, said yesterday that at Y270 to the pound Yamazaki could probably start exporting machines tools from the UK to Japan. The rate is already down to Y290.

The trend towards the automation of production gradually increases the incentive for manufacturers of any nationality to produce in situ—as the cost and efficiency of labour become less important.

Whether artificially triggered or not, investments of the Komatsu type bring benefits far beyond the small number of net new jobs created. They provide live demonstrations that there are workable alternatives to the ingrained attitudes and relationships of British workforces, managements and unions. They ginger up component suppliers through their assiduous attention to quality. They probably provide a more direct and visible incentive to European competitors to respond than imports do.

Leadership

Conversely, such investments involve Japan more directly in the political and economic realities of foreign countries. They help to improve the atmosphere for free trade in that they modify the perceived rôle of Japanese companies from marginal suppliers which price aggressively and direct their products at markets in opportunistic fashion, to companies more steadily committed to competing fairly and in sustained fashion in the European market.

The clinching argument for welcoming Japanese direct investment, however motivated, is that Japan is now without question a world leader in a number of important industries, and that for Europe to discourage the physical presence of these Japanese industries is to deny itself their leadership. In the pharmaceutical, motor, domestic appliance and computer businesses, the UK achieved years of prosperity by embracing American inward investment. By taking over a factory abandoned by Caterpillar of the US, Komatsu has simply emerged as a new star of an established tradition.

BRITAIN'S TRADE UNIONS

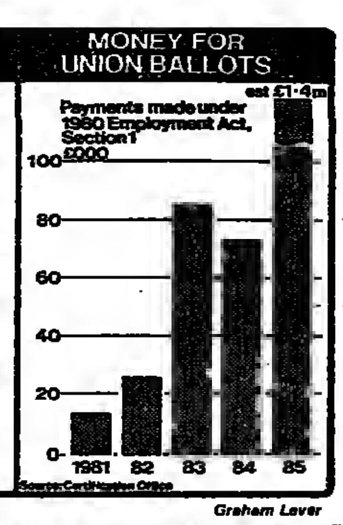
THE LIKELY TAKERS

TUC Unions most likely to claim Government money

	Members
AUEW*	1,000,000
EEPTU*	355,000
Ucatt	250,000
Balpa	3,700
Bacm	14,800
ASTMS	390,000
UCW	195,400
Numast	25,400
CMA	19,200
NUHKW	51,600
Writers' Guild	1,200
Usdaw	392,300
TOTAL	2,698,600

* already received funds
Source: Unpublished TUC report

MONEY FOR UNION BALLOTS



Graham Lever

Leading figures in the ballot funding dispute: (left) Gavin Laird, general secretary of the AUEW and Eric Hammond, general secretary of the EETPU

Beyond the ballot box, a battle for power

By Philip Bassett and John Lloyd

SLOWLY, inexorably, the time bombs of the UK Government's labour legislation are ticking away under Britain's trade unions. That they are then exploding mostly in the face of the TUC is by government design, not accident.

Mr Jack Jones, the former general secretary of the Transport and General Workers' Union—and no mean backroom legal drafter himself in the days when some thought his job more powerful than the Prime Minister's—made a telling, one word judgment of the Conservatives' careful, piecework strategy of employment and trade union law. "Clever," he called it.

Part of that cleverness lay in its tactic of embedding what looked like innocent, almost irrelevant measures in a package of larger change. So the restrictions on picketing and secondary industrial action in the 1980 Employment Act—at the time seen as the Act's main threat to unions at the zenith of their power—turned out in practice not to be the sword on which the unions impaled themselves.

Instead, it has been the derided provision of public funds for ballots, almost unnoticed when the 1980 Act was passed, which has led the unions to the precipice. Today, the TUC General Council, in full conclave, is likely to endorse the position struck earlier this week by the elders of the union movement. Do not, Mr Norman Willis, TUC general secretary, told them, jump over, and they did not jump. For once, the left joined with the new, radical right of the AUEW engineering workers' and the EETPU electricians' unions, while the centre-right formed the opposition. It is a tremendously important decision.

The slide towards the precipice started after the 1980 Act was passed, quickened with the TUC's blanket opposition to the law at its Wembley conference in 1982, and turned into a headlong rush when the Government's 1984 Trade Union Act forced upon the unions balloting on a whole range of issues. The TUC tried to justify it; the AUEW and EETPU asked: Why resist? Getting no answer, they were ready to take their chances outside the TUC if necessary.

"The most difficult question I have to answer from my members," says Mr Eric Hammond, the amiably abrasive leader of the EETPU, "is — what does the union get from being a member of the TUC?" That was *precisely* the precipice: that members of these unions simply did not care about the TUC and the labour movement enough to influence their vote for apparent commonsense — taking money available to fund what they wished to do in any case. To fight against that, by invoking constitutional arguments, however sound, about the two errant unions' backing for the Wembley principles has seemed a lost cause for months.

What, then, will be the outcome, both for the world inside and the world outside Congress House? And can these two worlds, which the Government has been so acute in separating be brought closer together by this week's decisions?

Viewed in one light, the TUC has produced a fitting ending to a chaotic year—a year which has seen it frozen out of attempting to resolve the miners' strike; reduced to embarrassing, stumbling incompetence at its September Congress by both a waning Arthur Scargill and the waxing electricians and engineers, and now forced in effect to drop entirely what had been until last week held to be its firmest policy, and its most principled of positions.

Arguably, too, this has also been the roar of a movement withdrawing not just from a set of unrealistic policies, but also from a 20-year-old set of assumptions. Based on concrete experience, these suggest that industrial muscles when flexed produce results; that a union posture of at least potential insurrection can offer its members both political and financial gain and that union members will respond to a mix of loyalty, class solidarity, self interest and coercion by leaderships with secure authority to speak in their name.

It is a measure of the importance of the votes this week in the TUC and the TGWU, that all these things are in the melting pot. The huge task facing the British trade union movement is to recover its authority in a society where these assumptions are seen no longer to operate.

Part of that task is already in hand: leadership by vanguards supported by the votes of activists is now being replaced by a plebiscitary democracy of the kind until recently ritually abused by the left. This should help to make the TUC General Council more aware of its reduced role.

Since it can no longer defy, and thus change, the law of the land, the TUC will have to interest itself in taking more modest tricks; trying to secure a bit more infrastructure spending through tripartite bodies like the National Economic Development Council, or better training provisions through the Manpower Services Commission. If this is new realism again, then so be it; douched by the General Election result, the TUC grasped at it in 1983, but GCHQ and the miners' strike threw it askew. This time it is more likely to stick.

Reborn new realism, however, will not reshape the landscape overnight; it will not produce a trade union movement whose leaders politely ask for a little more and mildly demur over the unemployment figures. In many cases, it won't produce different leaders, or at least not quickly.

> The major task facing the British trade union movement is to recover its authority

But it will bring change:

● Ballot money. Yesterday the TUC's employment committee approved draft criteria for belatedly sanctioning unions to take public money. So far the AUEW and EETPU have picked up £1.368m and there is more to come. The EETPU alone has now lodged with the Government's Certification Officer dozens of claims, amounting to about £230,000, covering a series of industrial action ballots, with another claim of £120,000 still to be tabled. Others are lining up to pour through the breach (see table).

● Strike ballots. Strike figures are tumbling—partly because of recession and the failure of the miners' strike, but in large part too because of the impact of the pre-strike balloting provisions of the 1984 Act. Ballots on this are here to stay; as a document considered by the employment committee puts it: "It may be difficult to convince many trade unionists, let alone the wider public, that the present provisions should be swept away without action being taken which would place strong emphasis on membership involvement and participation in union decisions, and the use of balloting — particularly on strikes. . . . Simply to remove these provisions, and not introduce some new measures in this area could lead to accusations that unions were diminishing the rights of members, and were undemocratic."

There are sigh of relief from Mr Neil Kinnock's camp at this. Some senior Labour Party figures, convinced that to go to an election on a platform of reducing union democracy would be disastrous, had so despaired of change in the TUC's stance that they were talking seriously of the party distancing itself from the unions, even to the extent of withdrawing from or making moribund the formal TUC-Labour liaison arrangements.

To win their strike ballots, unions will have to campaign. Mr Jimmy Knapp, the NUR general secretary, and a firm leftist, went out to his members like a US Presidential candidate earlier this year, urging them to strike to prevent British Rail implementing its proposals to introduce driver-only operated trains. Both sides will now have to interest themselves in similar techniques.

Both sides, too, will have to be sure of their case before going on the stump; flaws in the argument will not stand such scrutiny. Also the outcome of the ballots will enable both to make realistic assessments of their future conduct. Naturally, these ballots will be "about" more than their ostensible subjects: ballots in the public sector, for instance, could easily become a test of the popularity of the ultimate employer, the Government.

● Leadership elections. Ministers believe that full balloting for union executive committees, which the TGWU is now perhaps reluctantly but carefully implementing in a move which others will follow, is *the* key reform, ushering in a new roost of moderate leaders. Maybe; but the presuppositions are daunting — that there are sufficient moderates willing to come forward and that if they do, they are well enough organised and financed to pursue a successful campaign.

Ballots may, too, over time, make more public the often subterranean party systems which exist in most unions. Those with overt, well-functioning systems — the AUEW, the miners (where the right has been traumatised), the electricians (where the left has suffered the same fate) are exceptional; more common is the TGWU model, where "left" and "right" positions are publicly denied and privately fought over and where the hegemony of either left or right is covert, but all the more tight for being so. The engineering workers demonstrate the classic instance of the party system and are proud of it; but in doing so, they have produced a rumbustious political culture which many industrial relations managers hate because it produces "unstable" behaviour around election time.

● Political fund ballots. Yesterday's 9-1 vote by members of the Tobacco Workers' Union to retain their political fund maintains the unions' run of success — 27 straight victories in a row. This is an astonishing achievement for a union movement supposedly demoralised. It is, perhaps, a reaffirmation that the very methods rejected in the TUC's challenge to the law can still be devastatingly effective. But then, in this particular area of ballot-based democracy, there was never any suggestion that the unions would defy the law. The Labour Party, which depends on the unions' funds for its finances, could not be left to die by default.

Precisely because of these results, this is the area where the Government is unhappiest. It is already muttering that the unions' pitch in the ballots (funds are necessary to allow the unions to mount general political campaigns, when in fact almost all the money raised goes direct to Labour) could be unlawful. Ministers also say the unions have not abided by their agreement to make clear to all union members their right to contract out of paying the political levy.

There is the possibility that this could be the subject of future legislation, though the apparent popularity of the funds, as measured by the ballots, must give the Government pause for thought.

"The fact is," says yesterday's TUC policy document, "that the law is in industrial relations, and cannot now be excluded—if it ever could." Or as John Lyons, the influential leader of the Engineers' and Managers' Association, described the ballot funds crisis when the TUC was at the height of its agony over it, in Blackpool: "intrinsically silly."

That the TUC now recognises the issue as a rock on which it might founder is clear. Whether it has also recognised its moves this week as a beginning, rather than an end, is less so. Time bombs though the legislation may have contained, the war the TUC has been fighting was a phoney internal one against its own best interests.

The real war for the TUC—the increase in non-TUC unionism, the rise in anti-unionism, the need to respond to the pattern of industrial change, to win members in the high technology, and service industries; to win members to trade unionism at all— is still out there, still mostly unfought.

Leaping clear—finally—from the crumbling cliff edge of the unions' formal rejection of the law is a start back towards credibility, and from there, towards the potential for renewed influence and power. But unless the TUC and the major unions begin to grapple seriously with the core issues, rather than the peripheral, shearing away from the precipice may prove temporary, not permanent.

Men and Matters

Metal men hunted

The British subsidiary of the Canadian Alcan aluminium group has become a surprisingly popular source of boardroom talent recently.

Last month the fast-growing Williams engineering group snapped up John Ford, who used to be British Alcan's deputy managing director, to be its operations director.

Now George Russell, the outspoken managing director, is leaving to become chief executive of Marley, the roof tile group.

Does this reflect tension and trouble at British Alcan. Not at all, according to Russell. He just feels he has done the job he set out to do—the restructuring of Britain's leading aluminium group, following the takeover by Alcan of British Aluminium in 1982, has been completed.

And he boasts that the slimmed-down company now out-performs every other aluminium company in the world, including its parent.

So he was receptive when Sir Robert Clark, who was brought in as chairman of Marley earlier this year, approached him. "I was at the point of spinning my wheels. And with the age factor (he is 50) there was no chance of going anywhere in Alcan."

He sees his role at Marley, which is suffering from excessive debt following a failed US venture, to "steady it and start it growing again." If he can sell the Payless DIY stores quickly he will be well on his way.

But the real challenge will be similar to that at British Alcan, putting some energy into a rather lacklustre manufacturing group.

Watch for Marley doing rather more advertising on television in future. In his spare time Russell is a governor of the Independent Broadcasting Authority. "I may even find a way to get it cheaper," he muses.

"I'd like a toy helicopter—made by a European consortium"

Envoy on loans

"I feel thoroughly at home in Washington, after all I lived there 14 years," says Alfredo Crespo, the Ecuadorean under-secretary of public credit, in London this week to tie up a rescheduling of his country's debts to the British government.

Crespo was educated at the University of Maryland and the George Washington University on the Potomac, and worked at the Organisation of American States and the International Monetary Fund.

Relaxing in the Ecuadorean embassy opposite Harrods, he is a model of that group of US-minded whizzkids who took over the government in Quito two years ago and charmed their way into the hearts of Western financiers wearied by Third World abrasiveness.

To complete the image, and lest anyone think he is a mere international civil servant, he tells of the finance company Finec he set up a decade ago in Quito and later sold to a local bank.

His job as chief negotiator with Ecuador's governmental and private sector creditors has kept his jet-setting image bright. "I've been out of Ecuador for 2f0 days this year," he says.

Crespo is happy with the welcome that his government—which practises a sort of Andean Thatcherism—has got in this country. "The deal with Britain? We did it on this table—in ten minutes," he says proudly.

Anderson goes

The US oil industry loses one of its most colourful figures with Robert Orville Anderson's decision, at the age of 68, to step down as chairman of Atlantic Richfield (Arco).

Son of a Chicago banker, Anderson has always been regarded as a brilliant, if sometimes lucky, maverick. And his range of outside interests—stretching from his huge cattle ranches in both North and South America to his 1976 rescue of The Observer newspaper from bankruptcy—marked him out from other oil barons.

But Arco is one of America's most successful oil companies—and Anderson deserves the credit.

At the age of 24, he borrowed $50,000 to buy a stake in a small oil refinery in New Mexico. Over the next 20 years or so, he became a successful wildcatter and bought and sold refineries.

In 1963, Anderson's Hondo Oil and Gas company was taken over by Atlantic Refining, based on the US East coast. Within two years, Anderson had become chief executive and, in turn, masterminded the takeover of Richfield Corporation, a major oil marketer on the West coast.

His luckiest break came shortly afterwards when Arco struck oil in Alaska's Prudhoe Bay after many bigger oil companies had given up hope. Prudhoe Bay is the biggest oilfield ever discovered in North America and it has transformed Arco into the seventh biggest US oil company with assets of more than $22bn.

For many years, Anderson ran Arco in tandem with Thornton Bradshaw, the company's president. They were regarded as one of the best management teams in the business.

Bradshaw left in 1980 to join RCA where he oversaw a dramatic turn-around in the company's fortunes. Two years later, Anderson handed over the chief executive's job to Bill Kieschnik.

But despite these changes, analysts had no doubt that Arco was still "Bob Anderson's company." When Kieschnik, 62, announced his surprise retirement last June, there was widespread speculation that the move had originated in the 51st floor office of Arco's Los Angeles headquarters which Anderson occupied for a couple of days a week.

High spirits

The Inland Revenue reproaches me gently for suggesting last week that it had adopted a scrooge-like attitude towards Morgan Grenfell's staff Christmas dinner dance. The merchant bank had to pay extra tax on its "benefit in kind."

Corporate Christmas celebrations are not normally taxed, I am told, unless the cost exceeds £35 a head.

"Even allowing for movements in the RPI since 1843," the Inland Revenue press secretary, Sue Tyrrell, adds, in a literary footnote, "I am sure you will agree that it is unlikely Bob Cratchet's Christmas lunch exceeded that level."

Observer

Anthony Kenny puts the case for Oxford University's college traditions

Academic productivity by candlelight

IN THESE days of the relentless pursuit of value for money, no institution using public funds can avoid being asked whether it is efficiently managed. Oxford colleges, although not directly publicly funded, are being spurred along with the universities to cost-effective management.

Academic institutions do not like being evaluated in terms appropriate to industry. The Jarrett report alleged that universities were inefficient; but in reaching this judgment it took no account of the function of universities but merely studied their management structures. It suggested that British universities should be made more like British industry. My impression is that in other countries the reputation of British universities stands higher than that of British industry. Be that as it may, the only fair way to assess the efficiency of British universities would be to compare them with institutions in other countries which have the same purposes. This does not seem to have been done.

If Balliol is judged in managerial terms, I do not think it need be ashamed of its record. Workplace relations are excellent: our academic staff work hard and happily for half the salary their skills could command elsewhere; our administrative, technical and domestic staff have not lost a single hour through industrial action in recorded history. In the detestable jargon of productivity, we can claim, perhaps not with any great pride, that in 1985 we process 501 students in plant which in 1935 catered for 274.

We have a pupil-tutor ratio of 10.9 to 1. Moreover, the amount we have to teach our pupils increases year by year, as new discoveries are made, new theories propounded, new evidence brought to light. One of our economics tutors says that he now has to teach his pupils for their preliminary examination the amount of material which he had to cover for his finals papers two decades ago. The increased teaching burden has not inhibited scholarship and research: during the past academic year we produced between us 19 books and many papers in learned journals.

Balliol's relation to other colleges is also relevant. Oxford University is a federation of colleges, as the US is a federation of states. An American wit remarked that the similarity would be even greater if the South had won the Civil War. The system can be unwieldy and has its critics. In a recent article in the Oxford Magazine, Sir Patrick Nairne, Permanent Secretary at the DHSS from 1975-81, and now Master of St Catherine's College, complains that college governing bodies are difficult and disputatious: issues which could be settled by the head of the college in five minutes take five weeks to decide. He proposes three reforms: Oxford colleges should delegate power to elected councils, as in Cambridge; heads should be made more like chief executives; there should be a powerful Council of Colleges to take decisions collectively.

In my view, Sir Patrick's proposals are of unequal merit.

BALLIOL COLLEGE FINANCES

Figures in £000s

Income		Expenditure	
Endowment	618	Academic	1,004
Fees	900	Premises	258
Boarding charges	294	Domestic	731
Conferences	203		
Other	20		
Total	2,035	Total	1,993

The first reform was introduced at Balliol 17 years ago. Day-to-day decisions are reached not by a governing body of 58 but by an executive committee of 12 (plus six junior members when student affairs are discussed). The system works well. A Council of Colleges, too, would have my support. The welfare of the university as a whole can be damaged by the selfishness of single colleges—as when in recent years individual colleges have failed to observe agreed policies about the change-over from single sex to mixed institutions.

Sir Patrick's proposal to make heads of houses into chief executives, on the other hand, seems a very bad idea. I share his impatience (which head of house would not?) with the amount of work necessary to reach collegiate decisions on major matters of policy. But I do not share his confidence that heads of houses would make better decisions if left to themselves: it seems odd to regard discussion and debate as a hindrance rather than a help to rational decision-making.

What I am sure of is that concentration of executive power in the hands of heads would destroy the feature that makes Oxford a supremely attractive environment for an academic, namely the fact that a don has no boss. Neither heads in their colleges nor professors in their departments have the powers they would have elsewhere: in general an Oxford don is responsible to no one except to a democratic body on which he has an equal voice with all his colleagues. It is this fact, more than the historic buildings or the candlelight on the silver in the common rooms, which makes first-class academics come to Oxford and stay there for the best years of their lives.

Oxford offers an uncommonly intensive education by some of the most highly qualified teachers in the country, and its output of first-class research bears comparison with any in the world. Add together all the ways in which money comes to Oxford from the taxpayer—UGC grant, university fees and college fees—and you find that it is not particularly expensive by comparison with other British universities. That this is so is due in large part to the existence of college endowments.

From time to time proposals are made that the endowments of Oxford colleges should be confiscated or diverted to other purposes. Such confiscation would run directly contrary to the Government's desire that universities should receive larger funding from private sources and be less dependent on public funds. In the Green Paper on Higher Education the Government says: "To encourage universities' efforts in this direction, the Government has confirmed that increases in income from outside sources will not lead to reductions in Government funding."

Surely the same principle should hold for Oxford colleges whose endowments are the fruit of centuries of private benefactors. A recent appeal to our old members and others brought in pledges of £2m. It would be a perfidious act to take away from the college the gifts thus generously made in good faith.

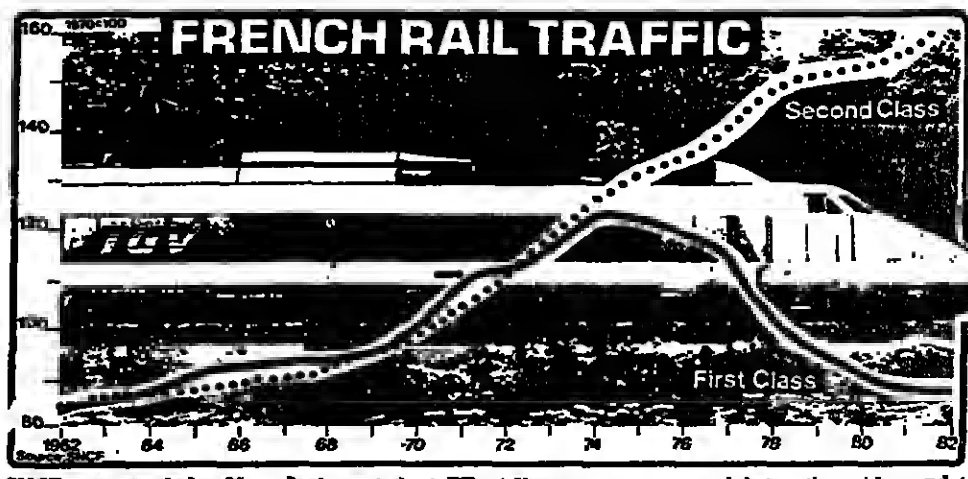
If the Government were really serious in wishing to enable universities to live on private funds it would revise the tax rules to make gifts to universities tax-deductible, as in America. But the Government has consistently refused to do this. Only last month it turned down a proposal of a Select Committee of the House of Lords which would have made gifts from industry for scientific research tax-deductible.

The complaint most consistently made against Oxford colleges is that they are slow to adapt. In detail, this may be due to the unwieldy nature of some of our structures. But frankly, we are not convinced of the desirability of some of the changes we are asked to adapt to. We are proud and privileged to have inherited a system and tradition of education which is precious and irreplaceable, and we are anxious to preserve its essential elements intact.

Dr Kenny is Master of Balliol College, Oxford.

Paul Betts, in Paris, reports on a new concept in French rail travel

The age of high-speed nouvelle cuisine



IT COULD have been a VIP lounge at any large international airport. It was instead platform two at Strasbourg railway station. Opposite the new first-class carriages of the Strasbourg-Paris express — known as the "Jean Lamour" —passengers took shelter from the cold damp December morning fog in the lounge where hot coffee was served, newspapers were available, and a woman with a computer organised baggage handling, taxi or hired car reservations and even a hotel booking if needed.

"The other day we had a rich fellow who arrived in a terrible rush and told one of our people that he hadn't been able to park his car. He gave the official the keys to park it. When he returned from his train journey a few days later, he found the keys with the hostess and his car in the car park without a scratch," said Mr Louis de Vivies, one of the marketing executives in charge of the new experiment in first-class rail travel launched this winter by the SNCF, the French state railways.

The train itself also constitutes a new concept in first-class rail travel. The plush carriages combine open plan and privacy. The comfortable armchairs in pastel colours can turn to face in every direction. Travellers can huddle quietly in a corner or in groups for business, a game of cards, a snack and a drink.

The restaurant serves the latest in French nouvelle cuisine with the food prepared by one of the country's top new generation chefs. The restaurant is also very expensive and a meal for one of foie gras, scallops, cheese, and chocolate mousse cake washed down with Badoit water and some Alsatian wine costs £40 service included.

In the train, there is a minitel microcomputer for bored passengers to play with. Music cassettes and earphones are also available. One day there will be a telephone and television.

In the dining room, the maitre d'hotel and the waiters and waitresses have all been trained by Mr Rene Schumayer, a former maitre d' at the Ritz in Paris. The lounge staff have all been trained under the supervision of Mr Jean Gillet, the director of the Hotel Maurice, another Paris palace. Overseeing the smooth running of the journey is a Commissaire de Bord, the rail equivalent of a cruise ship's purser, dressed in pin stripes and bow tie.

"All this is not just a gimmick. It follows more than two years of careful preparation and study," said Mr de Vivies. "We were worried about the steady decline in first-class rail travel and decided to test a new concept to attract people back to the first-class. The idea is to offer a complete service starting well before the actual journey and continuing at the end of the trip after the passenger leaves the train."

For SNCF the fall in first-class rail traffic, where margins are much higher than in second class, had become a major source of anxiety. Between 1962 and 1975, first-class rail travel had grown steadily by 46 per cent. But since 1975, it has been declining by about 25 per cent. Ten years ago, first-class accounted for 23 per cent of total rail travel in France. This year it is down to 17 per cent.

Several reasons are behind this decline. SNCF officials say that the economic recession is partly to blame. So is the competition from domestic airlines. Air Inter, the main internal French company, now has at least 30 major connections in France and on major routes like Paris-Nice or Paris-Toulouse it uses the Airbus. A third significant reason for the fall in first-class traffic is the improvements the SNCF made in its second-class in the last ten to 15 years.

"We made a big effort in second-class and to some extent did not pay enough attention to first-class," said Mr de Vivies. Indeed, in the Corail carriages, which SNCF started to introduce between 1972-75, the second-class was considerably improved and the difference with first-class was slim. "People were saying they weren't getting their money's worth. They either decided to travel second-class or left the train for the car or the plane," Mr de Vivies said.

With the introduction of the high-speed train link (train a grande vitesse—or TGV for short) between Paris and Lyon, the SNCF struck a first return blow to the airlines. On the western part of the country, it started experimenting with special children carriages—a sort of playground on wheels—to hold on to and increase family travellers. In the East now, it has launched its new experiment to reconquer first-class passengers. So far, there is only one train from Strasbourg to Paris and from Paris to Strasbourg via Nancy a day with the new service. In spring, the SNCF will decide whether to extend the service elsewhere, but already the state railways appear satisfied with its first results.

The SNCF had two alternatives to win back disgruntled first class travellers. It could either reduce the price differential between first and second (at present for every FFr 100 in second you pay FFr 150 in first) or upgrade the service in first. "The first was a defeatist policy so we opted for the second. The second also has the merit of seeking to attract what we call leaders, or top bracket people. The question is then not so much one of price but quality. With better service and facilities you can in fact ask people to pay even more," said Mr de Vivies.

For the restaurant, the SNCF persuaded Mr Joel Robuchon, who owns and runs Jamin in Paris, a three-star Michelin guide establishment regarded as perhaps the most inventive restaurant in the capital, to supervise the cooking. All the dishes are prepared using a new technique under vacuum and then heated by steam oven on the train. Cold dishes are prepared by the chefs on the train. Unlike other meals on trains, SNCF has decided not to subsidise the food in the new first class. "The idea is that the restaurant should pay for itself," a SNCF official said. SNCF already loses FFr 185m a year on its catering operations alone out of an overall deficit this year estimated at FFr 4.6bn.

The new first class — called officially *Le Nouvelle Premiere* —is already beginning to break even after a few months in service.

Not everyone, however, is enchanted by the new first class. One of the biggest objections is that a traveller used to the old first class is forced to pay 15 per cent more. The restaurant, on occasions, does not live up to the equivalent of a three-star restaurant in town. Under the circumstances, it is not surprising; but at £40 a head it is equally understandable that customers complain. Others would have preferred to see SNCF recreate the golden days of French rail when you could eat lobster thermidor and then rest on the Blue Train like the celebrated madonna of the sleeping cars.

"But that was absolutely not the point. We did not want to recreate nostalgia. We wanted something very modern, projected towards the future," said Mr de Vivies. Indeed, the SNCF sees the new first class as part of the state railways' overall renewal and its preparation for the challenges ahead against motor and air travel competition. And, like the airlines, the SNCF is already considering the introduction at some stage of an intermediate business-type class for those who do not want to travel second or pay the surcharge for the new first.

Letters to the Editor

Monetary policy

From Mr G. Hoggarth

Sir,—I was interested to read that Michael Beenstock (December 11) has followed the lead of other monetarists, such as Nigel Lawson and Samuel Brittan, in adopting the view that adherence to a sterling M3 growth target in order to control inflation is not perhaps such a good idea after all. Beenstock quite rightly points out that an increase in the demand for sterling M3 that follows a rise in bank deposit rates will not directly affect prices/nominal spending, but only the composition of an individuel's asset portfolio. This criticism however of the use of broad money as an intermediate target, amongst others, was made by Lord Kaldor in his evidence on monetary policy to the Treasury select committee five and a half years ago at the outset of the medium term financial strategy.

More interestingly, whereas anti-monetarists and even now some economic commentators of a monetarist persuasion favour the abandonment of monetary targeting, Beenstock supports the Government'a move in attaching more weight to the narrow measure of money, MO. There are a number of problems with targeting MO. It is a very narrow definition of money, representing only one-tenth the size of sterling M3, and consisting, in the main, only of cash held by the private sector. By excluding all bank and building society deposits it is difficult to understand why MO is deemed to be a useful indicator of potential spending power in the economy. As is the case with sterling M3, in practice movements in MO growth are not usually associated with a commensurate change in price inflation. With the present high level of nominal and real bank and building deposit rates and the continued rise in the use of cheque books and credit cards, it is hardly surprising that MO is growing less rapidly than price inflation at present. Most importantly, under the present UK financial institutional set-up, it is generally recognised that MO (high-powered monay) is demand rather than supply determined. For exampla, Charles Goodhart who until recently was a chief adviser on monetary policy at the Bank of England states in a recent book that, "with high-powered money largely consisting of currency in the bands of the public and the latter being demand-determined . . . the direction of causation runs clearly from nominal income to notes and coin in circulation and high-powered money." In other words, to the extent that a stable/predictable relationship exists (for which the statistical evidence is in any case far from clear cut) it is movements in price inflation, the policy goal, that lead to changes in MO growth, the so-called intermediate target.

Given that MO (along with the exchange rate) is now central to tha authorities' monetary strategy, it would be illuminating if the Chancellor, or Michael Beenstock, could explain the mechanism by which a reduction in MO growth causes a deceleration in inflation.

Glenn Hoggarth.
Henley Centre for Forecasting,
2 Tudor St, EC4.

Half baked patents conference

From Mr R. Palmer

Sir,—It was reassuring to see Dr Hermann (December 5) appreciating the reality of some of the problems in the world of patents. Let us hope that our Government will in the coming months replace its previous exhortations and statements of good intent by actions in support of the industrial property requirements of innovators and business in this country. At home we urgently require simplification of patent litigation. Within Europe we should have no half-baked mini-Community patent and our case for locating the Community Trade Mark office in London needs positive action by tha UK Government.

R. Palmer.
62 Olivers Battery Road,
Winchester,
Hants.

Taper personal allowances

From Mr C. Beattie QC

Sir,—It is important to exempt individuals with small incomes from liability to income tax. Such a move would reduce the administrative burden of collecting tax and might allow PAYE to be abolished, with a great saving in time and trouble to employers. A large increase in personal allowances would achieve this, but the difficulty is that any increase is costly in terms of tax lost, since every individual with an income is entitled to a personal allowance which relieves him from tax at his highest rate. This heavy cost in revenue lost could be much reduced, permitting personal allowances to be much increased, if personal allowances were to be given in full only to individuals with small total incomes, the allowances tapering off to nil as incomes rose somewhat above that small total.

Taking small incomes out of liability to tax is more important than reducing the basic rate of income tax. That is not to minimise the urgent need to lessen the severe burden of taxes of all kinds borne by individuals and businesses by reason of excessive public spending.

C. N. Beattie.
24 Old Buildings,
Lincoln's Inn, WC2.

Life sales licensing

From Mr H. Paisner

Sir,—Mr A. J. Duggin (December 6) correctly recognises that a public row is now raging over the idea for licensing each and every single person, who sells life insurance in this country. Well over 100,000 individuals distribute life insurance, either part time or full time. Among others, building society staff, estate agents, travel agents, bank employees, retailers, accountants, brokers and insurance company employees all sell life policies, as do solicitors, who are members of my own profession.

Even before the concept of universal licensing, involving wide-ranging examinations, was floated in August by the Marketing of Investments Board Organising Committee (MIBOC), Professor Gower had publicly cautioned against any general scheme for licensing. He recognised the mammoth nature of any such task, due to the very large number of individuals involved and tha frequency with which people enter and leave the business.

Following publication of MIBOC's idea, the Office of Fair Trading, the National Consumers' Council and the Consumers' Association have all, independently, issued statements in strong opposition. This is not surprising. These bodies protect the interests of consumers. Consumers would be forced to pay for all of the inevitable bureaucracy, if the scheme went ahead. They would gain very little, if any, advantage.

How do you license, individual by individual, all members of an enormous and frequently changing group of peopla? How much would it cost? What real benefits will consumers gain? Could these not be achieved in a more practical way?

The Government has announced that rules of business conduct are to apply to the sales of investments, including life insurance. These rules should certainly make each life office legally responsible for the sales practices of every individual who sells its policies, regardless of whether or not that individual is employed by that office. Mr Michael Howard, QC, MP, has made clear that the Financial Services Bill (expected this week) will give each individual consumer a new legislative right of action directly against any office, if the consumer is harmed by failure of that office to comply with the rules of business conduct. Such a policing mechanism will protect consumers in a far more effective—and a far less expensive—way than would MIBOC's somewhat cumbersome licensing scheme.

Mr Howard's very practical approach makes MIBOC's idea redundant. Sensibly, Mr Duggin predicted that tha Government may reject the whole idea. This is exactly what the Government should do.

Harold Paisner.
First Floor,
154 Fleet Street, EC4.

Helistop in the City

From Mr W. Goldsmith

Sir,—Mr Langmead (December 13) writes, from the Barbican, that the Trig Lane Helistop is to be closed due to its proximity to the new City of London School.

No mention is made of its proximity to many of us who have offices and residential accommodation nearby.

I submit that helicopters are far more rather than far less of a noise nuisance than juggernauts and motorcycles.

The internal disruption to office and home life is totally disproportionate to the convenience of the relatively few helicopter passengers to and from the City.

William Goldsmith.
Thompson Lloyd & Ewart,
5 High Timber Street, EC4.

The world of industry

From Mr R. Garrett

Sir,—Mr Griffith's young graduate former pupil (December 3 "Industry does not attract") is said to have "a firm personality and high intellectual quality" but maybe is somewhat short of modesty and has an ability to come to positive viaws without considering the subject in much depth.

His "family friends" appear to come from the same sort of background as himself and after 50 years in industry I fail to recognise his world of junior managers, pompous administrators, dogmatic accountants and disgruntled representatives of workers.

I suggest that Mr Griffith and his young friend move out sometime from the narrow confines of Jesus College Oxford and see a little of the real world.

R. A. Garrett.
Marlwood Grange,
Thornbury,
Bristol

FINANCIAL TIMES

Wednesday December 18 1985

Jonathan Carr considers the Bundesbank's cautious review of banking regulation

Much ado over minimum reserves

AT FIRST SIGHT, a central bank's minimum reserve rules do not seem to be the *stuff of which drama* is made. But the West German Bundesbank has managed to turn this unpromising material into the longest-running mystery play in Frankfurt.

This week, before an increasingly impatient audience of bankers at home and abroad, the Bundesbank's policymaking central council will meet for another act of the drama. It remains to be seen if this will prove to be the finale – or just another twist in an ever more tangled plot.

Bankers' appetites were first whetted in March when the Bundesbank let slip that its minimum reserves instrument was not, after all, sacrosanct. The central bank made clear that it was ready to consider some "modification" of the rules that would help to repatriate some of the "Euro-business" that had for years gone abroad.

Many German bankers could hardly believe their ears – or good fortune. The minimum reserves weapon has long been seen as a key one in the Bundesbank's armoury of controls over the money supply and, as such, "non-negotiable". Under the rules, the banks have to deposit a specific minimum percentage of their liabilities interest-free with the Bundesbank, which can raise or lower the required percentages (the "reserve ratios"), thus influencing the liquidity of the banking system.

For the banks, that means tying up a lot of funds unprofitably, and *was a main reason why years ago* they set up Euro-business subsidiaries in Luxembourg, where no minimum-reserve rules exist.

Almost nine months have passed since that first Bundesbank hint, but still no "modification" has been announced. Last month the Bundesbank's president, Mr Karl Otto Pöhl, promised that the lengthy review of the matter would be complete "very shortly." This month his vice president, Mr Helmut Schlesinger, said the review was still not ended and drew attention to "the complicated nature of the material."

The truth is that the central bank is divided over what to do, which is hardly surprising. Already this year the Bundesbank has approved the use of innovative financial instruments such as floating-rate notes and zero-coupon bonds, which it previously opposed.

That step alone was hard for the most cautious policymakers in the central bank to swallow. They surely face severe indigestion if the minimum reserves are tampered with as well. Not the least of the unanswered questions is whether a change in the instrument means that the Bundesbank law itself must be altered. Opinions vary – but the fear is that if the politicians become involved they might decide to change the law in other respects too, perhaps undermining the Bundesbank's cherished independence.

The central bank, however, has let the genie out of the bottle and *stands no chance of locking* it up again. Public discussion of the pros and cons of minimum-reserve policy is mounting almost by the week, and the longer the central bank delays a decision, the more the debate will intensify – almost certainly awakening expectations that cannot be fulfilled.

Already there are academics and others calling for complete abolition of the instrument on grounds that it is a "special tax" on deposits and amounts to an undesirable transfer of resources. It is pointed out that the minimum-reserves policy indirectly helps the Bundesbank to increase its profit, most of which it must – by law – turn over to the Government.

Most of the commercial banks do not go that far, conscious that by making maximum demands they might strengthen the hands of those in the Bundesbank most against change. Instead, bankers argue that minimum-reserve ratios could be cut sharply, without giving up the instrument as such. One suggestion is that the sum tied up through minimum reserves could be cut from the current level of around DM 47bn ($18.7m) to some DM 25bn (the amount in "working balances" the banks need at the Bundesbank for their daily payments transactions).

The banks point out that the Bundesbank has not once changed its minimum-reserve ratios since October 1982 (when they were set within *a range from 4.2 per cent for savings* deposits of DM 10m and less, to 10.15 per cent for sight liabilities of more than DM 100m).

In other words, the Bundesbank is relying far more on open-market operations – especially its securities repurchase agreements with the banks – to guide monetary policy, and minimum reserves have become less important as a result. Temptingly, the banks argue that if their minimum reserves burden was cut they would probably pass on lower interest rates on lending to their customers.

Defenders of the minimum-reserve instrument emphasise its importance as an *automatic* brake on monetary expansion; that is, it operates even before the Bundesbank has statistical evidence of the growth and can bring its other control measures into play.

There is also wariness over another proposal of the banks, namely that non-resident deposits be exempted from reserve requirements if the funds are themselves used for lending outside Germany. The fear is that while that idea seems sensible in principle, it would be hard to control in practice.

Whatever the merits of those arguments, it will probably be certificates of deposit (CDs) that turn out to be the main lever of change. As negotiable receipts for bank deposits, CDs play a valued role throughout a lot of the financial world – but not in Germany. They were exempted from the new instruments the Bundesbank approved this year, and for at least one strong reason.

As bearer bonds of the banks they would, under current regulations, be exempt from minimum-reserve rules – while time deposits, their close competitors, are subject to the rules.

That situation would not only appear unfair but would undermine the efficacy – such as it is – of minimum-reserves policy.

The Bundesbank could (but will not) solve the problem by abolishing all minimum reserves. It could instead try to draw all bearer paper (including CDs) under the reserve regulations, a "hard line" move for which it would probably be dragged before a court by the public-sector banks in particular. Or it could try to postpone a decision, which so far is what it has been doing. There is a danger here, though.

The commercial banks have so far made use of D-Mark CDs as a result of a "gentlemen's agreement" with the Bundesbank – and one of these days they may simply tire of waiting and ignore the accord. That is not very likely at the moment – but it helps to illustrate that the pressure is firmly on the central bank to cut the Gordian knot of minimum-reserves policy sooner rather than later.

UK pledge to aid Uganda recovery

By Mary-Ann Fitzgerald in Nairobi and Stephanie Gray in London

BRITAIN has *pledged to help in the* rehabilitation of Uganda after the signing of an accord in Nairobi yesterday by Mr Yoweri Museveni, leader of the rebel National Resistance Movement (NRM), and Gen Tito Okello, President of the country's ruling Military Council.

Under the terms of the agreement, Mr Museveni has been awarded the influential post of vice-chairman of the Military Council, although he failed to gain the key defence portfolio. The NRM, which controls much of the south of the country, has been given seven seats on the 20-member Military Council, but was forced to drop its demand for the expulsion of two representatives of troops loyal to former dictator Idi Amin.

According to British military officials in Nairobi, Britain plans to install a military advisory team of about 15 men in Kampala early next month to act as a power broker in the reconstitution of tha army.

The despatch of the team was not officially confirmed in London yesterday, but Mr Malcolm Rifkind, Minister of State at the Foreign Office, said that, if a ceasefire proved effective, "the UK is ready to contribute to the rehabilitation of tha economy through programme aid and technical assistance, including help for resettling soldiers, employment creation schemes and assistance for agriculture and the administration.

Britain and Kenya are alone among Commonwealth nations in pledging support for the agreement, which was reached under the auspices of Kenyan President Daniel arap Moi. The accord was greeted with hostile statements from Ugandan officials on both sides and its implementation is likely to be fraught with obstacles.

The pact contains a two-part formula for disarming some 50,000 army and rebel troops and recruiting a new 8,500 strong military force.

British exports to Uganda in 1984, the last year for which figures are available, were worth $42.7m, down from about $61m in 1982 and considerably below the *heyday* of the years immediately after independence in 1962. Ugandan exports to the UK last year, mainly coffee, amounted to $56.5m.

Suspicion clouds peace, Page 3

EEC foreign ministers tie up loose ends of reform package

BY QUENTIN PEEL IN BRUSSELS

THE EEC reform debate was yesterday officially brought to a close, with only the smallest gestures made by the member states to win the support of the European Parliament.

The foreign ministers of the Ten, *plus Spain and Portugal, tied up the* loose ends in the reform package agreed by their heads of government in Luxembourg two weeks ago, and put a brave face on the modest result.

They persuaded Mr Jacques Delors, the President of the European Commission, not to denounce their efforts immediately as a disappointment, insisting among themselves that it was the best possible result in the circumstances. Mr Delors was reported to be very critical of the outcome.

The final package, combining a new treaty on foreign policy co-operation with measures to speed up liberalisation of internal trade and to extend the influence of the European Parliament, has a long way to go before it becomes Community law.

Both Italy and Denmark still have reservations on the package – Italy because it is too modest and Denmark because it is too radical. Neither will be lifted until their respective parliaments have had their say.

The UK has a specific reservation – the last remaining – on a new chapter that would extend the capacity for social legislation and protection of the working environment *in the Treaty of Rome.*

No final treaty amendment is possible without the unanimous agreement of the member states.

The foreign ministers yesterday made two small gestures to reassure the European Parliament, which last week denounced the efforts of the Luxembourg summit as unsatisfactory and unacceptable.

They agreed that any amendments to EEC legislation proposed by the Parliament under the new co-operation procedure would be presented to the full Council of Ministers, whether they are endorsed by the European Commission or not. It will still be up to the council to decide the shape of the final regulations.

They also decided that a three-month deadline for decision-taking by the council could be extended to four months by agreement with the Parliament. If a decision has still not been taken then, the proposal will simply lapse.

That plan falls a long way short of the suggestion, backed by Italy, Belgium and the European Commission, that when the council fails to reach agreement, the proposal put forward jointly by the Parliament and the European Commission would become the law.

The other key agreement reached by the ministers was on the legal form for the package, which will now be called a European Act, rather than the once-mooted Treaty of European Union.

The preamble links the two parts of EEC co-operation, political and economic, while making clear that they are legally separate.

It spells out the ultimate aim of the member states as being to move towards a European union, and commits them to the formal objective of realising that goal in a new treaty article.

Although UK officials maintained that the definition of "European union implies a process of ever closer co-operation and no more, the text could yet upset the Danish Parliament, and in particular the Social Democrats who hold the balance on any ultimate decision to ratify the reforms.

Sir Geoffrey Howe, the British Foreign Secretary, insisted that the final result was "very positive."

British Telecom share sale criticised

By Lucy Kellaway in London

THE UK Government's sale of British Telecom shares to the private sector did not raise as much money as it might have done, according to a critical report published yesterday by the all-party Public Accounts Committee of the House of Commons.

The report criticises a number of aspects of the £3.9bn ($5.6bn) share flotation last year, including the initial offer price and the way in which shares were sold in markets outside the UK. The committee recommends that the Government "should thoroughly review the arrangements for and results of this sale."

The committee's findings come as the Conservative Government's programme of state asset sales moves into full swing, with the flotation of British Gas and British Airways expected next year.

One of the report's central complaints is that the British Telecom issue was underpriced. It argues that the 130p selling price of British Telecom shares was "over cautious, and a modest further increase in the price would have brought in a higher return without risk."

The pricing of the Telecom issue, which resulted in a 33 per cent appreciation over the full offer price on the first day of dealing, has already been widely criticised. The committee's report follows the publication earlier this week of an article by the independent Institute for Fiscal Studies which estimated that the privatisation of BT resulted in a net loss to public funds of £3.3bn.

Several other aspects of the Government's handling of the sale are singled out for criticism in the committee's report. It attacks the size of the commission paid to underwriters of the issue, and urges that in future a "careful assessment be made ... of the need for underwriting." In the case of British Telecom, the committee said it was "not convinced that the extent of the risk justified the rates agreed for placing commission."

The report also questions whether all the special selling methods used in the flotation were justified. The total costs of the issue were £263m, amounting to 6.8 per cent of the issue proceeds, compared to an average of 3.3 per cent in previous state share sales. "It seems questionable whether the whole package of measures was necessary to meet the Government's objectives," it says.

The costly technique of selling shares overseas comes in for particularly heavy criticism in the report, which claims that shares sold in the US quickly found their way back into the UK market. "We recommend that a thorough review of the method, desirability and value of overseas sales should be carried out by the department and the Treasury," it says.

House of Commons Committee of Public Accounts: Sale of Government Shareholding in British Telecommunications. House of Commons paper 35. HMSO, £3.50.

British Airways profit, Page 7; early listing for NTT, Page 16

Zia, Gandhi agree on relations

Continued from Page 1

been started, and foreign secretaries will try to merge their two countries' different versions of a "no-war" and "peace-and-friendship" treaties.

Cultural exchanges which could be important in healing rifts will follow and there will be a top-level ministerial meeting of the two countries' joint commission at the end of February.

The two countries' defence secretaries are to try to end increasingly bitter border battles on the Siachen Glacier in Kashmir. Officials are also to look into the details of other border problems including allegations that Pakistan has been helping extremist Sikhs in the Punjab.

● *Pakistan's Parliament* yesterday cleared the way for martial law, enforced for more than eight years, to be lifted later this month, probably on December 25, writes our Foreign Staff.

Acceptance date set for Westland rescue

Continued from Page 1

are expected to be offered at around the same 60p price.

The share offer will be accompanied by a statement on the company's annual results which will contain heavy write-offs. However, the board of the recapitalised company is expected to produce profits forecasts.

Westland made £23.3m pre-tax profits on group turnover of £296m in the year to September 1984, down from £28m on a turnover of £326m. Since then, the company's dearth of orders has created serious cash-flow problems. Lazard said yesterday that failure to agree to the Sikorsky-Fiat proposals could send the company into receivership.

On Friday, Lazard will send a letter to shareholders outlining the terms of the rescue which will require approval at an extraordinary general meeting, expected to be called early in the new year. The proposals require 75 per cent majority approval since they include bank debt being converted into equity.

Meanwhile, differences within the UK Cabinet over the Government's attitude to the future of the Westland group continued yesterday as the Ministry of Defence claimed the Prime Minister had left the door open in the House of Commons on a possible European solution as well as the Sikorsky-Fiat package favoured by the company's board.

In the Commons yesterday, Mrs Thatcher said twice in reply to questions that the company must decide which deal it should pursue. She referred to the responsibilities of the company to its shareholders, its moral responsibilities to its workforce and its obligations to bankers and to its auditors.

Many MPs interpreted Mrs Thatcher's remarks yesterday as broadly backing Mr Brittan's attitude.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	14	59	Malaga	—	—	—	Salzburg	F	11	52
Akrotiri	F	17	63	Faro	S	15	59	Malta	S	18	64	Seoul	S	-6	21
Algiers	S	18	64	Florence	C	6	43	Manila	S	28	54	Singapore	F	29	84
Amsterdam	C	9	48	Frankfurt	C	8	48	Miami	C	23	73	Stockholm	R	-8	18
Athens	S	16	61	Funchal	S	21	70	Milan	S	8	46	Strasbourg	C	7	45
Bahrain	S	23	73	Geneva	Fg	0	32	Moscow	C	-8	18	Sydney	S	27	81
Bangkok	S	28	82	Gibraltar	S	15	59	Munich	S	7	45	Taipei	F	15	59
Barcelona	—	—	—	Guernsey	C	10	50	Nairobi	F	27	81	Tangier	—	—	—
Beirut	R	20	68	Helsinki	S	-15	5	Naples	S	14	57	Tehran	—	—	—
Belgrade	F	12	54	H. Kong	S	16	61	New Delhi	Fg	18	64	Tel Aviv	R	15	59
Berlin	F	6	43	Innsbruck	Fg	3	37	New York	C	5	41	Tenerife	—	—	—
Biarritz	S	14	57	Inverness	C	5	41	Nice	S	15	59	Tokyo	S	7	45
Blackpool	S	9	48	Istanbul	S	12	54	Oporto	S	12	54	Toronto	Sn	-4	25
Bordeaux	Fg	0	32	Jersey	C	10	50	Oslo	C	-6	21	Tunis	F	18	64
Brussels	C	10	50	Jo'burg	T	22	72	Paris	C	7	45	Valencia	S	17	63
Budapest	C	11	52	Las Palmas	S	20	68	Prague	R	7	45	Venice	C	2	36
B. Aires	S	31	88	Lima	S	23	73	Reykjavik	C	3	37	Vienna	F	10	50
Cairo	R	21	70	Lisbon	F	15	59	Rio de J'o	S	34	93	Warsaw	C	1	34
Cape Town	S	24	75	Locarno	S	6	43	Rome	S	14	57	Zurich	F	5	41
Caracas	S	27	81	London	C	11	52								
Casablanca	—	—	—	Los Angeles	S	26	79								
Copenhagen	C	2	36	Luxembourg	C	5	41								
Cadiz	S	17	63	Madrid	F	13	55								
Dublin	F	12	54	Majorca	—	—	—								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Debt plan outlined

Continued from Page 1

next three years should be equivalent to a notional "international inflation rate," which officials estimate could be between 3.5 per cent and 4 per cent. The $20bn in commercial loans contemplated by Mr Baker marks an annual increase of 2.5 per cent.

● Partial capitalisation of interest repayments.

● A net annual increase of between 15 and 20 per cent in loans from multilateral agencies, avoiding any additional conditionality.

● Western governments should do more to maintain export credit cover to countries that have rescheduled their debt within the Club of Paris.

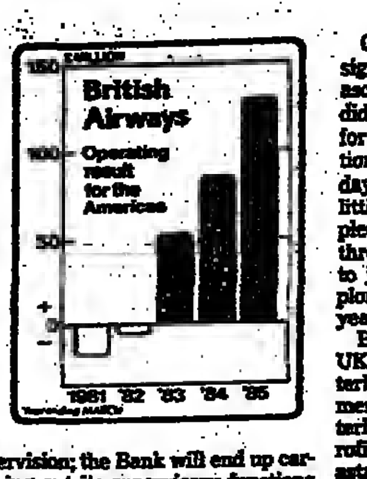
● An increase in the availability of *compensatory financing from the* International Monetary Fund over the next three years to ease balance of payments difficulties in countries hit by falling commodity prices, high US interest rates and "natural disasters."

The scheduled final communiqué last night was expected to confirm a hitherto unsuspected degree of unity within the Cartagena group involving the three major debtors, Argentina, Brazil and Mexico, for going beyond rhetoric and moving towards more concrete action on the debt issue.

THE LEX COLUMN

Taking good care of Laker

The £33m which British Airways has provided to cover the cost of the Laker settlement is a small price to pay for the restoration of margins across the North Atlantic. The 1984-85 accounts, which finally made their appearance yesterday, provide for the first time an analysis of where BA makes money. A loss of £17.5m on American routes has been converted to a profit of £129.6m in five years, and to judge from the tone of the interim statement the North Atlantic may this year account for more than half group profits.



Yet BA is at last starting to run out of steam. The six months to September showed a small increase in pre-tax profits – to £201m – only thanks to a reduction in the interest charge and, if the Laker item conveniently charged to the 1984-85 accounts is stripped away, full-year profits look certain to be lower. By the time BA publishes its results and prospectus in the early summer, the trading prospects should be looking brighter – lower oil prices will be feeding through into fuel costs and traffic growth should have bottomed out at around 5 per cent. But the group will also be facing some lumpy financial commitments. Quite apart from the new experience of paying tax and dividends, BA will need to find ways of financing a 10-year capital spending programme of £5bn.

All of which helps to explain why BA is having a bit of a barney with the Government about the shape of its balance sheet. By March 1986, shareholders' funds of just over £500m should be supporting net debt of about £300m, which hardly represents extravagant gearing by the standards of the airline industry. But that sum ignores BA's operating leases, which will have a capital value of £1bn and will creep on to the balance sheet at some point willy nilly. If BA succeeds in securing a capital injection of £400m, either by persuading the Government to inject money or by a rights issue à la British Aerospace, equity will just exceed financial liabilities. If the Government insists that would be unfair to British Caledonian, BA could be a difficult proposition to sell.

Banking supervision

The Bank of England could never have emerged from the Johnson Matthey affair without making some obeisance towards the Treasury on the matter of prudential supervision; the Bank will end up carrying out its supervisory functions under a new board of outside worthies, appointed to advise the Governor but reporting to the Chancellor. Although the White Paper considers the more radical alternative of taking supervision entirely out of the Bank's hands, that final humiliation is not required; if it had been, the Bank might as well have shut up shop.

The reinforced statutory framework naturally gives the Bank powers which, properly implemented, ought to have prevented the JMB collapse; single customer guidelines are to be backed by statute, though country limits are not, and mendacious or even reckless reporting becomes a criminal offence. While the idea of demanding access to an auditor's management letter has been dropped, auditors have not got away without some interesting new responsibilities. If auditors believe that their banking clients are certifiable, or likely to abscond with the deposits, they may just about be willing to tell tales out of school; but until they can negotiate a precise legal definition of these duties, auditors may well prefer to avoid the supervisory confessional. The Department of Trade will have more to say about auditors later in the week.

Charterhouse

A management which manages to extract a 62 per cent premium over its share price for an agreed merger looks as if it is performing its stewardship role pretty well. But the shares of Charterhouse Petroleum – along with the rest of the oil sector – have been such dismal performers recently that it would be wrong to assume that Petrofina is paying a crazy price.

Charterhouse put up the For Sale sign after the Saxon/Enterprise fiasco, making it quite clear that it did not believe there was a future for a small, independent exploration and production company in today's bear market. Companies with little financial muscle, trying to please shareholders who have a three-month view, now find it hard to justify large investments in exploration with a profits lag of many years and an uncertain oil price.

But Petrofina wants to expand its UK and North Sea base and Charterhouse's fields are nicely complementary. On an appraisal of Charterhouse's exploration acreage, Petrofina does not feel the price is far astray from net asset value, and the numbers are so small as to avoid any noticeable earnings dilution to its shareholders. If shares of small oil companies even with the best management, are standing at a 39 per cent *discount* to their net assets, the market must be allowing nothing for possible finds and factoring in a very bearish outlook for the oil price. Now that Petrofina has shown itself prepared to take the plunge, perhaps other overseas predators will start to show daring too.

J. Rothschild

J. Rothschild Holdings' interim statement arrived yesterday with the customary lack of explanation and comment on trading, leaving the market unimpressed by the company's reputed skill at making money out of special situations. In a half-year when there was hardly a lack of bid activity, especially in the US, JRH achieved an 8 per cent fall in profits to £27.6m and – more important – a rise in net asset value per share of just 1.5p to 126.7p. Had Mr Rothschild not bought in 33m shares, the net asset value would probably not have increased at all.

In mitigation, perhaps, the company published a rather higher end-November asset value of 133.3p (after buying another 14m shares). The shares – down 1p to 100p yesterday – are still lower than they were at the beginning of last year and stand at a 23 per cent discount to the more recent NAV figure, not far off the average for investment trusts. Shareholders should decide whether the advantage of having their shares bought in outweighs the disadvantage of loss of investment trust tax status. Or they might just prefer to buy the index – on these results, they would have come off better.

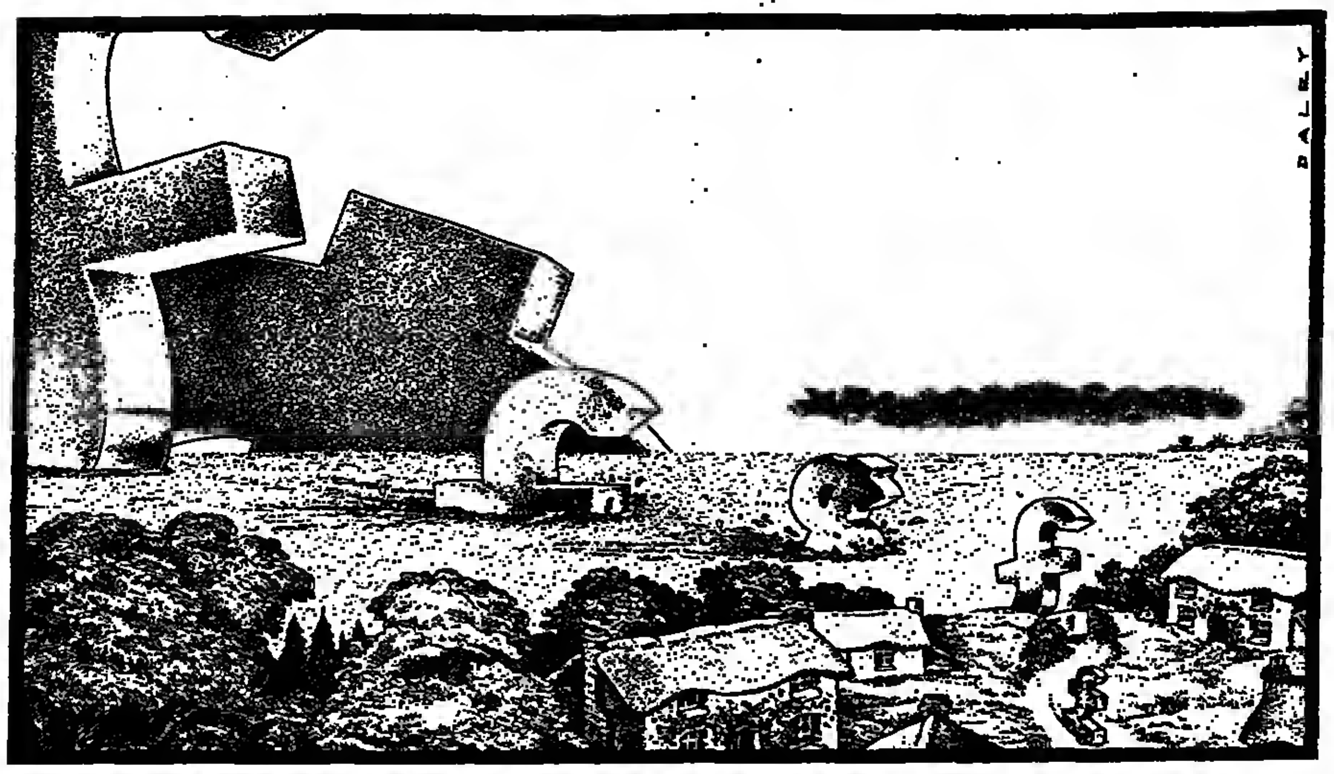
SECTION III
FINANCIAL TIMES SURVEY
Wednesday December 18 1985

Channel Islands

Money is pouring in as this off-shore haven develops into an international finance centre. But fears are being raised over pressures on resources and economic imbalances

Setting limits to growth

By Tim Dickson



VIRTUALLY FULL employment; no public debt; healthy budget surpluses; and business pouring in from all over the world. The outlook for the Channel Islands—a community of roughly 130,000 people which can count all these blessings at the moment—has never been brighter.

Billions of pounds have flowed into the banking and fund management industries of Jersey and Guernsey in recent years. Their low taxes—income tax is 20 per cent in both islands and there are no capital taxes—their political stability, the high standard of professional services, and their capacity to avoid the sort of scandals that dogged offshore centres elsewhere are all responsible for this unprecedented financial bonanza.

But notwithstanding the air of prosperity and well being, the authorities, the financial institutions, and the local populations are apprehensive about the future.

- The islands' finance sector—engine of their rapid economic growth—is fast outstripping the supply of skilled labour and accommodation.
- Financial services may be booming but many are wary of becoming over-dependent on an industry innately sensitive to bad publicity and to external political change.
- The possibility of a future UK Labour Government—and a possible upset in the islands' long-standing constitutional relationship with mainland Britain—is a perennial worry.

The rapid growth of the finance sectors on both islands and their widespread international popularity—is a relatively recent phenomenon.

Until the early 1960s the only banks on the islands were branches of the high street clearers and even at the end of the 1960s the 22 registered banks held just £200m in deposits, mostly in sterling. Contrast that with the £24bn tucked away in the 52 banks registered on Jersey today of £18bn is deposited in foreign currencies, and the £6.5bn deposited in the 48 registered financial institutions in neighbouring Guernsey at the end of June this year.

Growth has speeded up since the abolition of UK exchange controls in 1979—a development which some at the time thought would divert business elsewhere—and the islands have continued their transformation from offshore centres largely dependent on British investors and UK expatriates to ones with a genuinely international client base.

The islands' inhabitants resent their tax haven tag—they frequently point out that income tax has been at 20 per cent in Jersey since 1940 and at the same level in Guernsey since 1960. They stress, too, that the authorities have never set out specifically to encourage those escaping harsher fiscal regimes.

The characteristics which have made the islands attractive to investors are a source of local pride. Neither island has political parties; they enjoy good communications with Britain and France; they are geographically close to the City of London and (significantly) part of the sterling area; and they can boast an enviable line up of internationally respected banks, accounting firms and fund management groups.

The authorities on both islands have deliberately adopted a selective policy, on the grounds that the top names will neither wish to damage their own nor the Islands' reputation. Of the 52 registrations under the Jersey Depositors and Investors Law more than 40 are connected with the world's top 500 banks. Guernsey is now entertaining applications only from the top 200 to 300 worldwide.

The big question for Channel Islanders is how far their small communities can continue to accommodate the rapid business development of recent years. Both Jersey and Guernsey are conscious of the benefits of a successful finance sector in terms of employment and tax revenue but both are equally determined not to be overrun by bankers and accountants from the mainland and other metropolitan financial centres. Understandably they are anxious to preserve their traditional way of life and to protect the relatively unspoilt beaches and countryside which sustain another important industry, tourism.

Pressures for tighter immigration controls — already relatively strict thanks to the housing laws — are intensifying and, following an emotional debate on the subject in September this year, the Jersey States — the island's parliament — formally reaffirmed its commitment to limit the island's population to 80,000. (It is now believed to be about 77,000.)

The authorities are aware of the problems this restriction and the housing shortage presents for businesses already established on the islands—certainly the financier's most common complaint is shortage of skilled staff—but they can do no more than try to take the economy off the boil by applying more rigorously their powers to limit the expansion of activities through the Regulations of Undertakings and Development Law (Jersey) and to call for better training and improved profit per employee via computerisation.

As Jersey's Report by the States economic adviser on the Budget concludes: "In pursuing the desired policy of restraint to reduce the rate of immigration and protect the environment, conditions of economic prosperity and a high standard of public service are more likely to be secured for the future if the physical, human and financial resources presently available are used more effectively."

At the same time the Channel Islands' dependence on the finance sector is now more marked than ever, though it can be argued that the economy of Jersey, at any rate, is more balanced than 20 years ago.

In the 1960s finance accounted for 10 per cent of the island's income, with tourism speaking for 50 per cent. Today the figures are more than 30 per cent and 40 per cent respectively, though if investment income from abroad received by residents and companies is included, the finance industry is probably the larger of the two main pillars of the economy. In Guernsey the finance sector provides some 50 per cent of the island's income.

By contrast, tourism appears to have reached a plateau, agriculture and horticulture continue to rely heavily on the taxpayer and manufacturing industry has inevitably suffered from the recession.

Guernsey's success in attracting light manufacturing businesses to settle on the island represents a conscious attempt to broaden the island's economic base.

What of the external threat posed by a change of government in Britain? Mr George Foulkes, Labour's foreign affairs spokesman, has accused the Channel Islanders of encouraging "fraudsters, shysters and tricksters" and living off the proceeds of UK tax avoidance. He is a man who would like to end their privileges if his party returns to power.

The local reaction to these allegations is to deny that the islands somehow launder dirty money—a point accepted by members of a House of Commons select committee which visited the islands to investigate whether they were being used to house the proceeds of organised drugs trafficking.

The majority of funds handled by the banks and fund management companies also now originate not from the UK, but from other parts of the world. There is undoubtedly a tendency not to broadcast too loudly in the UK the advantages of investing in the Channel Islands.

But while the islanders believe that no British Government could tamper with their privileges and that mainstream Labour Party thinking is now centred on measures to encourage the repatriation of funds sent abroad by the investing institutions rather than to reimpose exchange controls in their pre-1979 form, they are drawing up contingency plans should they find it in their best interests to break the monetary union with the UK.

How far the islands would wish to carry out their threat is a fascinating conundrum. Their position within the British Isles is a valuable asset and they rely on the British Government for defence and representation overseas (a policy that enabled them to negotiate a highly attractive relationship with the EEC).

The option of breaking the monetary union with the UK and setting up a Channel

CONTINUED ON PAGE 10

CONTENTS

The basis for economic prosperity

Alan Corbin, a director of James Capel, one of the big brokers in the island's growing financial services sector

Banking

TIM DICKSON

THE STRONG popularity of Jersey and Guernsey as banking centres has underpinned the rapid growth of their finance industries in the last 10 to 15 years. In turn, the finance sector has become the basis of the islands' enviable economic prosperity.

The achievement is remarkable in view of the fact that 25 years ago the only banks on the islands were branches of the major UK clearers. The repeal of an ancient usuary law limiting interest on deposits to 5 per cent opened the way for a handful of UK merchant banks to set up shop in the islands in the early 1960s. Kleinwort Benson was one of the first, and since then, the islands' growing reputation for fiscal advantage and political stability has inspired a host of British and international competitors to follow suit.

Today 52 institutions are registered under Jersey's Depositors and Investors Law and 48 separate institutions are registered in Guernsey, though these are owned by 36 different groups (parent banks of island branches or subsidiaries can be found as far afield as the US, Australia, South Africa, Switzerland and the Republic of Ireland).

The banks' contribution to the economy of the islands is evident from recent official reports. Between 1981 and 1984 profits of those registered in Jersey increased by 81 per cent (compared with price inflation of 21 per cent over the same period) with the result that banks are estimated to account for more than 30 per cent of the island's income.

A further indication of their role is provided by the recent surge in deposits—in the 12 months to June 1985 these rose £5.3bn to £24bn; roughly £18bn being denominated in foreign currencies.

In neighbouring Guernsey total pre-tax profits of the registered institutions (excluding the branches of the clearing banks) are expected to rise 15 per cent in 1985. Total deposits (including the clearing banks) shot up to £6.5bn at the end of June from £5.1bn a year previously.

The banks' share of employment is significant. Including the major trust companies in 1984, they had about 3,000 people on the payroll in Jersey and just over 1,400 in Guernsey (almost half the numbers of the whole finance industry there).

The rapid growth of the last few years, however—and the pressure this has put on office development and staff—is forcing both islands to turn away many applicants for banking consents. Both sets of authorities are increasingly choosey about who they let in. They shrewdly calaculate that such a policy is the most effective form of regulation. But quite apart from this, the islands simply do not have the resources to accommodate many more banks, however respectable.

Applications

Jersey's Budget report argues that the island "should not close the door completely to the possibility of new institutions of international stature tapping new geographical areas . . ." while Guernsey's commercial relations adviser, Bruce Riley, emphasises that the island "is still entertaining applications from quality international banks."

He adds, "We are, however, looking for a big contribution by way of tax revenue and a high return per employee."

Earlier this year, Bank of Scotland became the latest institution to pass the necessary tests in Jersey, and it has been confirmed that Credit Suisse is the latest to be allowed to set up in Guernsey.

Established banks, meanwhile, are constrained by the pressure on resources and all acknowledge that profits can only continue on an upward path with the aid of new technology and increased training resources for local staff.

As Bill Noble, chairman of the Jersey Bankers Association puts it "Our big problem is not new business but a shortage of people to handle it. The immigration regulations are increasingly tough — limiting the numbers which can come in from outside—so the only option is to recruit within the islands. This means that they sometimes have to poach from competitors."

Handling deposits, of course, is a largely automated process and the scope for growth here is probably infinite. Where the pressures mainly arise are with the other services provided by the banks, such as international lending, investment management and trust administration, and tax advice.

Deposits are flooding in from all over the globe, though bankers mostly like to emphasise that the relative importance of UK investors has significantly declined. The Channel Islands have benefited from the misfortunes of other tax havens or low tax areas—the political uncertainty in Hong Kong and the uncertain reputation of the Caribbean—and the anecdotal evidence is of significant sums being diverted particularly from the Far East.

Besides the savings of expatriates (both UK and others) the banks see significant *deposits from local residents*, those resident but non-domiciled in the UK (who tend to be avoiding capital transfer tax) and UK residents anxious to receive interest payments gross, and thereby delay their payments of income tax.

Though most banks see retail deposits as the main market, some rely solely on wholesale money for funds. At one extreme there are those which lend all their money to their parent and at the other those, like N. M. Rothschild of Guernsey, which act as principals in the main financial markets.

The Fund management business has grown substantially in recent years, partly on the back of expatriate investments and partly by being able to offer types of fund not permitted under the Department of Industry rules for unit trusts in the UK (the commodity funds being perhaps the best example).

The trust departments of the major banks, as Midland Bank Trust Corporation (Jersey) pointed out, are also kept busy by the increasing numbers wishing to register companies in the Channel Islands and take advantage of the attractive local environment for discretionary trusts.

Supervision, meanwhile, remains a major preoccupation on both Jersey and Guernsey, a point illustrated by the establishment this year in Guernsey of the post of Banking Supervisor. Its first incumbent Mr Richard Whitford, aged 43, took up his appointment at the beginning of May.

Guernsey deposit protection legislation has also been tightened up. Since August, closer control has been exercised over advertising, and the States of Guernsey can instruct auditors of banks to report back information required.

The accounting requirements of banks have also been revised, and the differentiation between branches of recognised banks under the United Kingdom Act, 1979, their subsidiaries and other deposit takers has been removed.

Clean image a crucial attraction to business

Fund Management

BARRY RILEY

THE CHANNEL ISLANDS have come a long way in a short time in the offshore fund business, which began in the mid-1960s and only really took off in the late 1970s. Today, some £2.5bn is managed on Jersey alone, and the industry has become extensive enough to spawn the Jersey Fund Managers Association with 37 member firms.

At one stage this growth was drivan by the tax and other advantages of CI funds compared with UK funds, a trend which culminated in the mushroom growth of roll-up currency funds, but this phase is now over. Offshore funds have littla special appeal for UK residents at present, although some CI managers hope that political nervousness as the next general election grows nearer may prompt some funk money to leave the mainland.

Most of the funds' business is now with a spread of international clients, and in practice probably very largely with the UK expatriate market, with salesmen frequently embarking on trips to well-heeled retirement resort areas like the Costa del *Sol*. *And there is, of course*, considerable wealth on the Channel Islands themselves.

The Channel Islands have developed a clean image, and this is a crucial factor in their being able to attract money against the competition of rivals in the Caribbean and elsewhera—although they have still not made a great impact on the Continental or North American markets.

Fund managers on tha islands exude a comfortable prosperity these days, helped by the good new business levels coupled with the very limited growth of local competition — though *Guernsey is a little* easier to enter than Jersey for incoming firms.

Until now, a strict policy of allowing in only highly reputable fund management companies has been the main regulatory mechanism for the islands in the offshore fund sector. Officials admit that the legal framework is not really adequate to cope with the fund management industry at its present stage of development, and the islands have relied on the willingness of reputabla operators to follow unwritten rules.

But this has scarcely been a satisfactory basis for long-term security, especially as the UK has been developing a naw framework of law for the financial sarvices sector. The Channel Islands are nervous about getting too far out of line with the mainland, and Jersey, for instance, is preparing a new Collective Investment Undertakings Law, which will supplant the existing Control of Borrowings legislation in the mutual fund sector.

This legislation will be finalsad after the introduction of tha UK Financial Services Bill, and should become law in 1987.

The aim is that this degree of regulation will undarpin the reputation of tha Channal Islands without interfering with the appeal for investors of tha offshore characteristics such as confidentiality and freedom from the menace of the mainland tax man, notably in respect of Capital Transfer Tax as far as UK expatriats ara concerned.

So the future of the offshore fund industry seems bright, marred only by the general physical *constraints on expansion*, with office space tight, and Jersey in particular affected by a clampdown on immigration.

The advantages are neatly set ont by Mr Alistair Laurie, who has recently moved to Jersey to head up Save and Prosper'a £350m operation on tha island. S and P has closed its Bermuda office, and is now concentrating on Jersey as an economically and politically stable base.

"We monitor vary closely the opportunities in other centres," says Mr Laurie. "Jersey has a more sophisticated control set-up than many othar financial centres. It has an enviable track record."

Grey area

Guernsey, meanwhile, whera funds manage an estimated £1bn of investments, moved last year to make the island mora attractive to the offshore industry. Previously funds were liable to be treated as local businesses trading in securities — and thus subject to 20 per cent income tax — a "grey area" which forced many to play safe by setting up local corporation tax companies (while registered in the island, these are controlled from outside and only pay a flat rate of £300 corporation tax each year).

Following consultation between the finance industry and tha authorities a new tax exempt status was created to help avoid this cumbersome procedure. Funds have to pay a fee of £1,000 to £1,300 each year — but most agree it is a small price for the extra convenience.

One of the biggest groups on Guernsey is N. M. Rothschild Asset Management (CI). Its biggest fund Old Court International Reserves, an international money market fund, was hit by the UK's anti-roll up legislation in 1983 when assets topped $1bn. Intarnational Reservas nevertheless continues to prosper at $390m, offars shares in 14 different currencies, and has thousands of unitholders in dozens of countries.

Craig Alexander runs Aurigny Air Services, one of a network of services connecting the islands

Computers aid expansion

Infrastructure

TIM DICKSON

GONE ARE the days when Jersey and Guernsey offered incoming business little more than a few well-practised fitters of brass nameplaces. Notwithstanding the shortage of skilled labour and the pressures in the housing market, the anthorities are proud of the infrastructure.

They claim that few low-tax areas can match the range of internationally renowned banks and accountancy practices, legal firms, telecommunications, sea and air communications and botels and restaurants.

The legal profession in the two main islands consists principally of locally qualified advocates. They combine the functions of solicitor and barrister and are trained in local law—mainly common law evolved from Norman customs and practices—and in English law. English solicitors are only permitted to deal with international law.

Many of tha world's big accountancy practices have offices in Jersey, including Arthur Young McClelland Moores, Deloitte Haskins and Sells, and Coopers & Lybrand—and they provide a range of services from accounting, audit and company incorporation work to share registration, trust administration and trusteeship.

Financial services include banks, stockbrokers, insurance companies (notably on Guernsey), property consultants estate agents, money brokers, commodity brokers and fund management groups.

Given the immigration rules, the growth in banking and other financial business bas been sustained largely by the introduction of computer technolngy and modern banking systems. This has belped spawn companies with international names which bave developed packages with the offsbore customer in mind.

Mr John Hare, managing director of Guernsey systems bouse Datalink explains that "a system which operates here must be seen to be separate from a system run by the parent bank.

"Although modern telecommunications makes it feasible to operate a system which is linked intn a mainframe in London, customers have cbosen to keep their funds in Guernsey or Jersey; they would not like to think that details of their accounts were being processed in London."

He says a local presence on the islands is important.

"Although the mainland is less than an hour's flight away, it's no use in an emergency having essential support staff stuck at an airport on the wrong side of the Channel wben the islands are cut off by e sea mist."

Weather permitting, the islands are reasonably accessible, with regular flights to London's Heathrow and Gatwick airports, to Paris and to other centres on the UK and French mainlands. In summer there are direct flights to Amsterdam from both islands. There are regular car ferries frnm Portsmouth and Weymouth in England and a similar service and bydrofoil to St Malo.

The harbour capitals of St Heller and St Peter Port are being enlarged through reclamation.

In June Jersey's parliament approved a £15m plan to extend the port of St Heller by reclaiming nine acres west of the harbour. The first pbase has been completed of a £15.5m scheme to reclaim 30 acres north of St Peter Port to provide parking for more than 1,000 cars, a roundabout to reduce town centre traffic congestion, a marshalling area for container and ro-ro freight and a marina for 800 boats.

Telecommunications links maka it possible to dial most countries in tha world direct. Telexes can he sent to most centres and some firms have facsimile equipment for transmission of documents. British newspapers are available on the day of publication.

Thanks to the islands' importance as tourist centres, both Jersey and Guernsey have a wide range of accommodation, from guest bouses at a few pounds per night to five-star service.

● The Longueville Manor on Jersey—a small, family-run hotel—bas won plaudits for the standard of cuisine.

● The St Pierra Park on Gnernsey is a relatively new luxury hotel built in attractive surroundings with a golf conrse designed by Tony Jacklin, and a lake.

The islands' bankers and accountants say they have never been busier handling the flow of new work. But they find time to sample the wide variety of high-class restaurants in both capitals.

There are, of course, problems besides those of the labour and bousing markets. Residents complain that traffic jams are a perennial bazard on the hundreds of miles of tiny roads which cross the islands. In the summer, tourists and their hire cars are to blame; in the winter the authorities do the repairs and create numerous diversions.

One special bonus, however, for visitors is that coin-operated phones still accept 5p rather than the 10p on the mainland UK.

Mass defection causes waves

Stockbroking

TIM DICKSON

STOCKBROKER defections barely cause a ripple in the rough and tumble of the City of Loodon these days. But wben virtually all tha partners end staff of one firm in a small community like the Channel Islands suddenly switch allegiance to a major rival, the local fallout is widely felt.

The announcement in Aogust that Mr Alan Corbin and bls 34-strong team at Sheppards and Cbase bad resigned to join Jemes Capel has been the biggest talking point in Jersey and Guernsey stockbroking circles this year. The decision was prompted by an agreement in April tthat Banque Arabe et Internationale d'Investissement (BAII) will acqnire full control of Sheppards wben Stock Exchange rules permit. This illustrates the way "marriages" being made in London ahead of next year's Big Bang ere increasingly affecting the islands' financial community.

The drama, in a part of the world noted for the informality of relationships, bas unfolded in an unchracteristically charged atmosphere. There is considerable bad feeling on all sides and local sympathy for what many see as the injured party.

The States of Jersey Finance and Economic committee was annoyed by the way things were bandled and only reluctantly allowed Capel to find office space for its new recruits, stressing that the incident should not be seen as a precedent for further musical chairs.

Mr Corbin, wbo started his own stockbroking business on tha island in 1972, claims that members of the firm were being approached individually by Sheppards' rivals.

"Unless we acted as a team the executive group which had taken 10 years to build would bave quickly fragmented," he explains.

"We wanted to be with one of the largest and strongest groupings emerging from the City revolution, and we feel we have achieved our aim by joining James Capel."

About 14 stockhroking firms are represented in Jersey—all linked to London or provincial UK firms except Le Masurier James & Chinn. Besides Capel and Sheppards (wbich has recruited new staff and assured customers that it is committed to staying) these include Phillips and Drew, Laing and Cruicksbank, Laurie Millbank and Hoare Govett.

Hoare, previously restricted to promoting its unit trust advisory service, obtained a prized stockbroking licence on both islands earlier this year by taking over the other long establisbed local broker Trevor Matthews and Carey. Other Guernsey firms include Asbworth Sons and Barnett, Buckmaster and Moore and the recently arrived T. C. Coone.

London stockbrokers are primarily using Jersey and Guernsey as bases for international business. Weatthy local residents provide an important source of clients for some firms, notably Trevor Matthews and Le Masurier James & Chinn. But expansion lies in tapping the expanding expatriate market, both through managing individual portfolios and providing a dealiog and advisory service for the bordes of banks, trust companies, unit trusts and merchant banks which are custodians for other people's money.

Many observers feel the islands are now "over-brokered" and the chances of an outside firm gaining a licence in Jersey nr Guernsey wnuld appear to be slim. Business is bealthy enougb for those witb establisbed operations but expansion-minded firms must rely on further investments in technology and the training and recruitment of local staff. The immigration rules and the exodus of many of the most capable school leavers leaves a serious gap in middle management ranks.

An intriguing and unanswered question is how the autborities will react if hanks like Barclays and Morgan Grenfell are tempted to set up local offices for their newly stockbroking subsidiaries.

"The overcrowding is bad enough," comments one stockbroker "but If Barclays, as one of the biggest banks and emplnyers wanted to bring in De Zoetes, could the authorities say No?"

Research

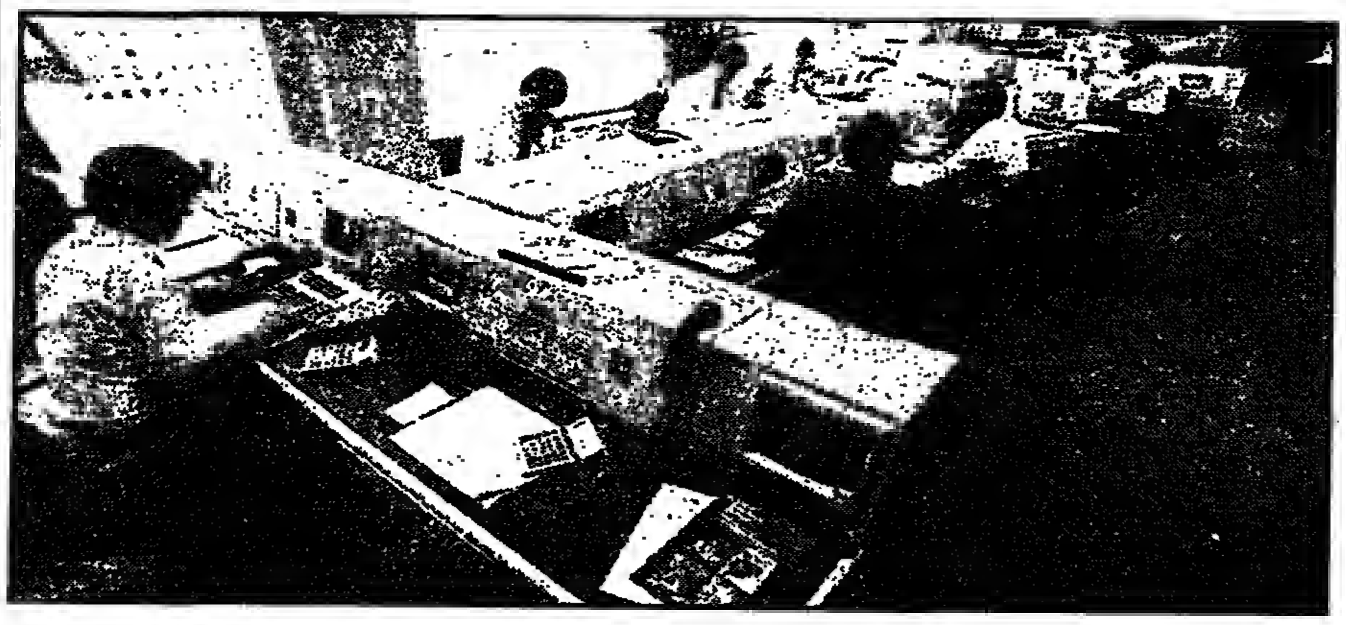
The only local firm not to have heen brought to the altar by a big financial conglomerate Le Masurier James & Chinn, appears to be in a strong bargaining position. But wbile partner Mr John Falla implles that somebody could elways make an offer he and his partners could not refuse, "Le Mas" is determined to remain independent.

Mr Falla edmits that the big London firms have the edge in terms of in-house research. "We bave to form our own opinlons." Bnt he meintains the firm's independence is an important asset.

"A lot of overseas investors are concerned that their affairs may eppear on e computer in the UK and we are able to assure them that they will not in our office.

"Much of our business is dependent on institutions, but we have had every indication that these clients will continue to support us after the Big Bang, even thnugh we will not be market-makers."

Snch confidence in an independent future is a contrast to the earlier apprehension of Mr Tim Tilden Smith, a Guernsey partner in Trevor Matthews. "We have a very nice business but if we had not gone in with a large international firm like Hoare Govett we might not have been saying that in two years," he says.



Financial business like the Allied Irish Bank dealing room (left) is expanding. Colin Powell (above), Jersey's economic adviser has warned about relationships with government.

Business expansion strains traditions

Politics

EDWARD OWEN

OVER THE past month, Jersey and Guernsey have both heard calls for more "co-ordination" in the management of their affairs.

Jersey's economic adviser, Mr Colin Powell, warned that "serious consideration needs to be given to whether the administration as presently structured is capable of handling the necessary relationship with business in the most efficient, and sufficiently co-ordinated, manner."

The president of Guernsey's advisory and finance committee, Conseiller Roydon Falla, announcing plans for greater co-ordination, said: "One of the difficulties of our committee system is that, although it can cope with domestic matters, it is less able to deal with external matters"—clearly referring, in the context, to overall management of the economy.

These warnings touch on the aspect of the islands' administrative systems that has previously been held up as a strength, rather than a weakness—the absence of any "government" in the sense of a central policy-making body.

The islands are run by parliamentary committees in a way more akin to UK local authorities than to self-governing territories.

Guernsey's advisory and finance committee, and to a lesser extent Jersey's finance and economics committee, have limited supervisory powers, mainly over expenditure. But any move that might give these committees a cabinet-like role has always been fiercely resisted.

The dislike of central administration is very much bound up with the tradition of honorary public service. As a former Guernsey Bailiff, the late Sir William Arnold, once put it: "A cabinet would tend to kill the enthusiasm of States members to give voluntary service on committees."

The special merit claimed for the committee system is that—along with the absence of party politics—it gives the islands exceptional political stability. "No committee, however important it may be, can force the States to adopt any particular measure," another former Guernsey Bailiff, Sir John Loveridge, pointed out.

The growing complexity of island affairs, particularly the recent rapid business expansion and the need to control it, is putting a strain, however, on the traditional systems, and not only in this direction.

The islands' part-time politicians are having to deal with an increasingly heavy load of legislation. The monthly meetings of the Guernsey States, which used to take a day, now often run to two or three days.

There was concern in Jersey last year when two of the island's most able young senators did not seek re-election because of business commitments. The Bailiff, Sir Frank Ereaut, warned that Jersey's system of self-government could break down if not enough people of sufficient ability came forward to stand for the States.

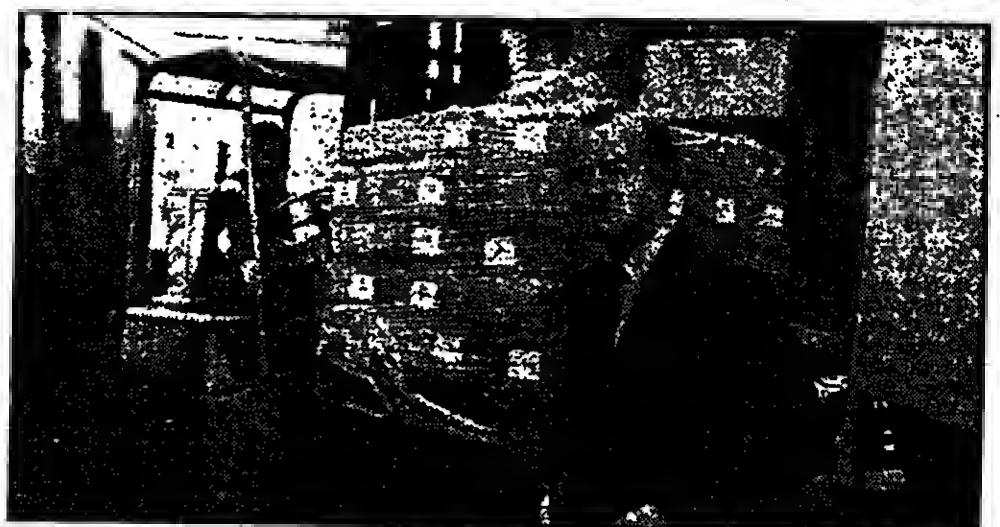
The answer in the view of political left-wingers, such as the Jersey Democratic Movement, is to pay States members enough to enable them, if they wish, to make it a full-time job.

So far the islands have compromised on the principle of honorary service to the extent of making it possible for people without private means or comfortable professional incomes to enter the States.

In Jersey members can claim an allowance of up to £4,250 a year, but are required to repay the amount by which their other income exceeds £4,250 if single or £6,375 if married. Guernsey's allowance is £5,000 with a similar repayment arrangement where income from other sources exceeds £8,000 if single or £10,000 if married.

Those who want to see paid politicians argue that the present system still leaves the States an unrepresentative and part-time body—and the management of the islands too much in the hands of the permanent civil service.

However, while economic pressures may force the islands along the path of more centralised administration, neither professional politicians nor political parties seem at present remotely likely to control local affairs.



Tom Walker, president of the Jersey Board of Trade and a partner in Falle Marketing, in front of his company's operation at Trinity

Surge of international interest

Arbitration

P. W. D. REDMOND

COMMERCIAL arbitration has been practised in the Channel Islands for centuries but received statutory regulation only in 1982 with the Arbitration (Guernsey) Law, an intelligent amalgam of the English Arbitration Acts 1950 to 1979. Jersey, unusually lagging behind Guernsey has produced a draft law with similar English origins, and it is hoped that the Channel Islands will have a virtually uniform system of arbitration laws by the end of 1986.

Given that the Bailiwicks of Jersey and Guernsey have separate laws and legal systems, this uniformity will be unusual. The Bailiffs of Jersey and Guernsey have also united to support the development of arbitration.

There are two main reasons for the surge of interest in arbitration. First, increasing pressure on the limited resources of the Royal Courts in Jersey and Guernsey makes the alternative offered by private arbitration a valuable safety valve.

Secondly, and of more commercial significance, the great potential of the attractive and neutral, low-tax Channel Islands for big international arbitrations has attracted considerable interest throughout Western Europe and North America.

The 700-year-old political and legal stability of the islands and the cosmopolitan sophistication and professional expertise developed over many years of growth as major international financial centres, give them suitable infrastructures and experience for handling substantial international arbitrations. Also the underlying legal system in both islands is Norman-French which has a considerable appeal to continental lawyers, since it provides a more familiar environment than English common law.

However, the arbitration law in Guernsey (which the Jersey law will closely resemble) is derived directly from the well-tried English arbitration statutes. Any commercial dispute is arbitrable, there are few mandatory provisions, and the arbitration agreement is paramount in setting the terms of reference of the dispute. Whether a contract is made in Guernsey or elsewhere, the parties are generally free to chose place of arbitration and the substantive law and procedural rules.

The Guernsey Royal Court has the same supportive and suppletive functions as the High Court under English law. Appeal is allowed only with the consent of all parties or with leave of the court where there is a question of law substantially affecting the rights of one or more of the parties to the arbitration agreement.

The ability, most important in international arbitrations, for parties to "contract out" of any right of appeal to the Guernsey Court was not included in the original enactment. An addition to the law imports the contracting out provisions of section three of the English 1979 Act (without the exclusion of "special categories" of contract contained in section four of the English statute).

International disputants can use the Guernsey Court's powers without committing themselves to appeal obligations.

The Norman-French legal system in the islands does not embody the English doctrine of precedent, so that the courts are not bound by the 1,200 or so English case-decisions on arbitration. Given the island courts' adherence to freedom of contract, it is unlikely that the local courts will interfere in arbitration to the level criticised in the English system.

Guernsey subscribes to the UN New York Convention (1958) on the recognition and enforcement of foreign arbitral awards, so Guernsey awards posses full international enforceability. It is anticipated that Jersey will also accede to the Convention during 1986.

Much of the upsurge of interest in arbitration in the islands can be ascribed to the activities of an energetic branch of the Chartered Institute of Arbitrators, which includes experienced international arbitrators and QCs, as well as several members of the American Arbitration Association's commercial panel.

In 1984 the islands were represented at the final working party of the UN Commission on International Trade Law (Uncitral), drafting the new model law on international arbitrations. But the islands will probably wait to see how many European nations adopt the law before deciding their own policy.

A privately funded arbitration centre* was launched in Guernsey in 1984 and has attracted international interest. The centre has established panels of international arbitrators and advisors including some of the most eminent practitioners in Europe, such as Mr Cedric Barclay, Mr Norman Royce (UK), Mr Pierre Lalive (Switzerland), Mr Ottoarndt Glossner (FDR), Mr J. L. Delvolve (France) and Mr R. Mauro-Sammartano (Italy).

The centre has taken part in discussions initiated by the Chartered Institute of Arbitrators between Western European national representatives on establishing an association of international arbitration centres. This is aimed at improving co-operation and exchange of information between international centres.

Utilising the considerable Channel Islands expertise in international tax planning, the centre has devoted intensive study to the development of tax-effective ways of using the low-tax regimes in international arbitration. It has evolved several packages that are attracting interest among big law firms on both sides of the Atlantic.

Even at the most superficial level the absence of VAT in the islands can effect considerable savings on costs to disputants in international arbitrations. But this is merely the tip of the iceberg with regard to the potential tax-savings available for disputants, arbitrators and counsel.

*C.I. Arbitration Centre, PO Box 203, St. Peter Port, Guernsey. (Tel. 0481 21896. Telex 4191500 INPROD G.)

P. W. D. Redmond is a barrister, and chairman of the C.I. Arbitration Centre.

Channel Islands 5

Technicians testing equipment at the Tektronix plant in La Villiaze, Guernsey, part of the electronics industry settling in the islands

Legislation seen as key to protection of good name

Law Reform
TIM DICKSON

THE ISLAND will need to guard against the danger that, as the UK and other countries tighten their controls, business will seek centres with less rigorous supervision. '. . . .' Reports by the Jersey States economic adviser, December 3 1985.

"As Guernsey's reputation as a financial centre of repute becomes more widely known, so the island attracts less desirable elements wishing to trade on its good name . . . legislation is required to prevent undesirable businesses establishing here, and properly to regulate those businesses which are already established." 1985 Economic Report for Guernsey.

As these two passages illustrate, Jersey and Guernsey protect nothing quite so jealously as their image in the outside world. Both islands' economies are heavily dependent on income from the finance sector and a mere whiff of scandal could quickly drive away profitable business.

As the Jersey economic report drily observed: "Any failure to maintain adequate standards and generally sustain a high reputation as an international finance centre can be expected to pose a much greatec threat to the future of the industry than likely changes in the fiscal or monetary climate of the UK or other countries. . ."

Jersey and Guernsey have consciously built up theic reputations by carefully vetting new financial groupings and accepting only the cream of the world's banking institutions (the idea being that they have their own worldwide standing to consider and will thus behave themselves).

But the increasing size and sophistication of the financial community, and the need to keep an eye on accountants, solicitors, company administrators, and insurance brokers, has led to a new preoccupation with improvements in commercial legislation.

Paradoxically, perhaps, the islands are as keen as ever to preserve a strong measure of corporate and personal freedom — key attractions for business people and investors alike.

All businesses in Jersey not trading under their own name have to obtain a registration certificate from the Commarcial Relations Department and all new businesses intending to occupy premises or to employ local staff have to get permission under the wide ranging Control of Regulation of Undertakings and Development (Jersey) Law. Since 1976 the Guernsey authorities have exercised control over company formation—and banks and deposit takers have had to register under the Depositors and Investors legislation—bnt many businesses escape notice by setting up as sole traders or partnerships. For this reason, Guernsey is currently considering introducing more wide ranging legislation on the lines of the Jersey statute.

Company law in tha islands is naturally less restrictive than in the UK. With tha exception of registered deposit-taking institutions, audits are not compulsory in Jersey, while companies incorporated in the Channel Islands are not required to fila accounts with the authorities (and are thus not available for public inspection). Information concerning directors is not required in the annual return to tha authorities in Jersey but tbe names and addresses of directors must be disclosed on the annual return in Guernsey.

The greater pace of legislative activity on Jersey is illustrated by the 1984 Trusts Law, the 1983 Security Interests Law, the 1983 Insurance Business Law, and (this year) amendments to the 1956 Control of Borrowing legislation.

Main areas

There are currently three main areas where significant changes are planned for the future.

● The Island's Finance and Economic Committee is currently considering responses to its draft Insolvency law, which for the first time will put into statutory form existing principles based on previous court decisions. Praising tha quality of the views expressed, Mr Richard Syvret, Jersey's commercial relations officer, explains that the system of consultation with professional bodies "works very well."

● The draft for a proposed Collective Investment Funds law has also been circulated to interested parties and is expected to go to the States some time in the New Year. The aim is to establish a purpose made law for the growing number of unit trusts and other mutual funds and to give greater powers of authorisation and control to the Finance and Economic Committee. The new statute is important in the context of the UK's Financial Services Bill, which will set down standards of supervision in other countries where funds based there wish to market their peoducts in tha UK.

● The tbird area is company law, though changes here are not expected before the end of next year at the earliest. A draft for the committee has been prepared by a former senioc partner of solicitors, Herbert Smith but is currently being modified and revised before going out for full consultation. It draws heavily on UK company law — though it is intended to be much simpler — and represents a majoc exercise for the island since it will affect not just local businesses but most sections of the financial community, including those companies incorporated in Jersey but wbich trade or hold many of their investments overseas.

Cbanges, however, are widely agreed to be overdue—the established company law dates back to 1861 and the last modification (relating to redeemable preference shares and class rights) wec made as far back as 1968.

Guernsey, meanwbile, is also aware of the implications of the Financial Services Bill and is considering some form of new legislation for collective investment schemes in 1986.

Improvements are also likelv to company law, a consultative document on licensing for trust companies has been prepared and a new framework for insolvency is expected before lone.

The most significant new development, however — in view of Guernsey's growing reputation as an offshore insurance centre — is likely to be the forthcoming Insurance Businesa Law. It will affect the whole range of insurance activies on the Island, including captives, reinsurance, and life and general insurance companies.

Vigilant watch on the back door

Customs & Excise
EDWARD OWEN

A COMMITTEE of Westminster MPs returned from a visit to Guernsey and Jersey this summer reassured that tha islands were not, as has been suggested, a weak link in Britain's defences against drug smuggling.

After learning about the customs and immigration services and the extent to which they worked with UK and Continental counterparts, Sir Edward Gardner, chairman of tbe committee, said the Channel Islands would not be an obvious choice for drug traffickers.

Since then Guernsey customs has seized 500 kilos of cannabis from a London-registered yacht arriving from Spain at St Peter Port harbour. A few years ago nearly 1,500 kilos of cannabis, worth an estimated £2.25m, were seized in Gnernsey from a yacht bound from Morocco to Holland. In both casea the baul was dne to vigilance, not a tip-off.

The customs and immigration control in the islands often surprises visitors, who perhaps expect "tax havens" to have a more casual approach. They may not appreciate that the islands are frontier posts both of the EEC and the British common travel area. Imports can circulate freely within the Community, and visitors to the islands have effectively entered Britain.

While the Channel Islands are exempted from many provisions of EEC membership, they are inside the Community for trading purposes, and for EEC regulations on tariffs, levics and import quotas.

The bulk of imports have usually already entered the EEC via the UK or the Continent. But encouraged by local authorities who can then collect revenue, more shipments have been arriving either from outside the Community or in transit via the UK with duty payable locally.

A watch has to be maintained for smugglers of anything from drugs and pornographic material to arms and works of ert, because the islands could easily become a "back door" entry or exit.

The Jersey Customs bas 20 officers to watch the airport and St Heliec and Gorey harbours. Jersey also bas responsibility for the British Isles' most southerly customs post, on the Minqulers, between the island and France. The Immigration Department has 18 officers manning the ports.

Guernsey bas a combined customs and immigration service, with a uniformed staff of 24 to cover the airport and St Peter Port harbour.

In both islands incoming passengers are subject to customa control, including UK arrivals bringing in duty-free purchases.

Many visitors wrongly imagine that they can bring what they like into the islands. In fact, the Customs allowance is only 200 cigarettes, a litre of spirits or two litres of wine, plus two litres of table wine.

The same allowance ia given by Britain and France to travellers from tbe Cbannel Islands, because in return from being exempt from VAT they are regarded as outside the EEC for Customs purposea.

This bas the advantage that Channel Islands residents can claim a VAT refund on goods bought in the UK oc Fcance.

The islands' responsibilities as guardians of the Britisb common travel area were underlined in reports published recently in Jersey and Guernsey on a British Government request for a contribution to the cost of representing the islands internationally.

Investigations

Jersey pointed out that its immigration department had to exercise "the greatest possible vigilance" to ensure that the island was not used as a back door to the UK. It also had to make detailed investigations wben local residents sought Britisb naturalisation, and provide consulac and visa aervices for UK residents travelling abroad from Jersey.

The report concluded that apart from "identifiable expenditure" incurred by the UK on its behalf, the island was already making sufficient contribution to the Britisb Government's overseas services.

Mr John de Faye, Jersey's Chief Inspector of Immigration, considers himself to be responsible to the Lieutenant-Governor, as the Queen's representative, and not to the States of Jersey. His department is part of the British immigration service, working in close daily liaison with the mainland side.

He says: "The Channel Islands are carrying out a national responsibility, and it is my job to ensure that the measure of control is no less than that at Dover or Folkestone."

Guernsey specialities: knitwear produced by Le Tricoteur (left) and Fresia flowers ready for export from Le Bourg

A sharp contrast in attitudes

Industry

TIM DICKSON

THE RESPECTIVE attitudes towards light manufacturing points up one of the contrasts between tha two Channel islands.

Whereas Guernsey actively encourages new export oriented activities as an additional leg to its economy—and bas chalked up some notable successes in recent years — the Jersey authorities are concerned that manufacturing and services are bealthy enough merely to supply the local market and to provide sufficient job opportunities for school leavers either unwilling, or unable, to work in banks or botels. Visitors to Jersey will find none of the glossy sales brocbures of the island's near neighbour.

The 700 currently employed in Jersey firms manufacturing for export has remained steady in recent years—hut the £22m of exports recorded in 1984 were lower in value than the previous year's total. Courtaulds' local subsidiary was an early victim of the recession and more recently RCA, one of the biggest employers, closed its plant with the loss of significant numbers of jobs.

This year there has again been a substantial investment in a local factory manufacturing containers, and two international individual investors bave demonstrated their confidence in the Jersey location by acquiring from Rediffusion its well established public address and audio visual presentation equipment company.

Channel island based manufacturers inevitably pay more for their raw materials and face higher export costs than their mainland competitors. "That stretch of water is expensive in terms of time and money," observes one Jersey businessman wbo adds that the islands are not "natural locations" for manufacturing industry. A shortage of land for expansion, bigh energy costs, and the restrictions on immigration (and thus on the importation of skilled labour) are further constraints.

Guernsey's Board of Trade and Industry, bowever, is undaunted by such difficulties and has set out with a budget increased from £100,000 in 1982 to £335,000 this year to tell the world ebout the attractions of its 24 square miles. "We offer no special inducements — just the island's life," explains John Dempster, the board's chief executive. "These include 20 per cent tax, not VAT, a 5.1 per cent social security contribution, no capital taxes, and a legal framework designed to maximise personal and corporate freedom."

The drinks are on them. Peter Whitford and John King of Overseas Trading Corporation, which blends and packs tea for leading brand names

Seven new companies arrived in Guernsey during the first balf of 1985 (bringing the total in the manufacturing sector to between 80 and 90), employment is up 18 per cent at 2,500 (with a similar rate of increase anticipated for 1986), and over the past year two promotional visits to the US and five to the UK have belped yield more than 1,000 initial enquiries from companies wishing to learn more about the island's facilities. (The authorities reckon that 1 per cent of these may eventually make the move.)

Companies to arrive this year include the New Hampshire based Nasbua International, which bas chosen Guernsey as its distribution centre for Africa, the Middle East, India and parts of Europe; Texmate, a California based manufacturer of digital meters; Synchro, a UK based business manufacturing security light fittings; and Channel Island Cream Liqueurs, which was set up by a local resident in coojunction with the States Dairy. The largest and most firmy established Guernsey company is Tektronix, a manufacturer and distributor of electronic equipment, which has boasted as many as 900 employees in the past but owing to the greater simplicity of its assembly operation now bas only 600 on its payroll.

Guernsey's recent pusb to attract manufacturing—Dempster says initial marketing efforts were made as far back as 1975—was inspired by the decline in the island's borticulture sector in the early 1980s and the consequent need to find another leg to the economy besides tourism and finance.

Less a priority

Impressive overall growth since then, the success of the finance sector, and the virtual elimination of unemployment, mean job creation is less of a priority than finding companies which will generally benefit the economy. Nevertheless, the Board's aim is that manufacturing should employ 4,000 by 1995.

"Ideally we would like all these to come from the expansion of local firms, but the experience of the islands sbows that outside skills are needed in every sector," observee Dempster.

"Obviously there is no point in making large, fluffy blocks on the island," be adds. "We reckon that if freight costs are 2-3 per cent of total overbeads, a company should survive quite happily. If a businessman is projecting 30 per cent, we tell him not to bother." Companies in the electronics sector, with low water and energy requirements, are thought particularly suitable hut there are companies exporting high cost beds to the UK, a printer with the largest machine in Europe for making mail order envelopes, and a pharmaceutical manufacturer.

Significantly, both Jersey and Guernsey bave set up enterprise agencies in the past year to advise new and established small businesses. Tom Walker, president of the Jersey Chamber of Commerce, was a prime mover in the Jersey Business Venture which officially opened its doors in September.

Finance has been provided antirely by the private sector —24 firms bave agreed to give £500 each for three years — and already — more than 50 counselling sessious have been beld. Walker says the Venture was started in response to the rising number of small local firms wbich were needlessly going into liquidation.

Tha Guernsey enterprise agency, which was set up with the help of £8,000 from the States, has been operating for roughly one year and claims to have belped a handful of new businessee get off the ground.

Jersey celebrates successful French connection

Energy

EDWARD OWEN

IN EARLY May, when the Jersey Electricity Company was testing its new cable link with France, three power failures within a few days caused alarm about the reliability of the supply.

But by the time Admiral Sir William Pillar, the island's Lieutenant-Governor, officially inaugurated the interlink last month there were congratulations all round, especially for Mr Dick Wade, the electricity company's managing director who had steered through the £12.5m project.

In celebratory mood, the JEC laid on wines labelled Vin Electricité and with French cheeses and croissants for customers at its showroom.

The teething troubles, due to a telecommunications, not an interconnector fault, were almost forgotten and the JEC's 34,000 consumers were enjoying the benefits of the French connection in cheaper electricity.

The normal tariff has been reduced by about 20 per cent from 7.2p to 5.8p per unit, and the company (in which the island government is principal shareholder) has been able to introduce for the first time an Economy 7 tariff with a night rate of 3.05p per unit.

The main purpose of the cable link, which took three years to plan and set up, was to rednce Jersey's total dependence on imported oil for generating electricity.

The alternative was to build a coal-fired power station. This was favoured by those who had misgivings abont becoming dependent on a foreign undertaking and by conservationists who felt that taking French electricity would weaken Jersey's political position in the face of large nuclear developments on the nearby Cotentin Peninsula.

A report by UK consulting engineers Merz & McLennan convinced local MPs in 1982 that tapping the French grid would be preferable to using coal, on economic and environmental grounds.

Abont 27 km of submarine cable bave been laid between Archirondel on Jersey's east coast and Surville on the Normandy coast linking the island's La Collette power station with that at La Haye du Puits.

The £6.5m contract to supply and lay the cable was carried out by Les Cables de Lyon, a French company, while the British Pirelli group was responsible for land installation work in Jersey, including laying 9 km of 90 KV cable.

The submarine cable mainly rests on the seabed with only about 1 km at each end buried. The French have banned trawling, dredging and anchoring for 500 metres on either side. In the event of damage, the cable is oil-filled to prevent water reaching the core and to help divers to locate the break.

During the summer the JEC took advantage of Electricité de France's low off-peak rates to draw all its supply—a load of up to 50 Mw—from that source, but at present the link is being used only at night and on some weekends. A daytime supply will be resumed next March and the proportion of French power will be gradually increased until no electricity is produced locally.

Meanwhile Guernsey, where electricity supply is the responsibility of a government board, is still dependent on oil for generating power. More than £6m was spent on heavy fuel oil last year.

New tariff

Until recently Guernsey consumers were paying 11p per unit for the first 130 units and 7.4p thereafter. Helped by a fall in the price of oil, the electricity board has introduced a new tariff involving a standing charge of £8 per quarter for domestic users and £10 for commercial premises with all consumption charged at 6.9p per unit.

A study of Guernsey's future energy policy is being made by Ewbank Preece Power & Water. On the strength of the consultants' first report, local MPs have authorised a £100,000 survey of a cable route to France. It is envisaged this would come ashore at Anse de Scitot on the Normandy coast, about twice the distance of Jersey's line. The estimated cost at today's prices is £20m.

The electricity board, which does not favour coal-firing for efficiency and environmental reasons, believes that taking power from the continent during the summer has become viable.

Much will depend on the marine survey to be carried out over the next two or three months by Gardline Survey of Great Yarmouth.

PROFILE: REDITRONICS

BY TIM DICKSON

Challenge will be to lift output

JERSEY IS not noted as a centre of advanced manufacturing industry, and few companies located on the island change hands.

Bnt in August, St. Heller based Reditronics—an electronics concern with 100 employees and annual sales close to £2m—was acquired for an undisclosed sum by the unlikely duo of Sir Jack Stewart-Clark, previously managing director in the UK both of Philips Electrical and its subsidiary Pye of Cambridge but now Euro MP for East Sussex, and Mr Arthur Kelly, president and cbief operating officer of La Salle Steel Company of Ghicago.

Acting in their individual capacities the two men, who forged a close working relationship in Sir Jack's industrial days, wben Kelly was consulting with A. T. Kearney of the US, moved to take control wben former owners, Rediffusion, put the business up for sale.

"We are taking a significant risk," admits Sir Jack. "Reditronics bas a loyal and flexible workforce and Jersey's fiscal regime makes the island a competitive environment, but the challenge will be to increase volume, motivate the management, modernise the manufacturing facilities and widen the product range."

Set up on the island in 1951 Reditronics, or Television Research as it was then known, initially made music equipmant for other companies within the Rediffusion Group. In the mid 1970s new prodncts were developed for sale to third parties such as inverters for the emerging cable industry and a range of public address and audio visual equipmant, an area wbere Reditronics has establisbed a significant market share. The company's free listings or coin operated prerecorded commentary sets, for example, are sold to zoos, exhibitions, museums and cathedrals throughout Europe.

However, Rediffusion (itself part of BET) decided earlier this year that along with a number of other subsidiaries Reditronics did not fit into its longar term strategy.

The parent company, for instance, bas also disposed of its high street shops, its cable interests and its computer operations.

A important part of the deal struck by Stewart-Clark and Kelly was that Rediffusion will continue buying its music equipment frnm the Jersey company until next autumn.

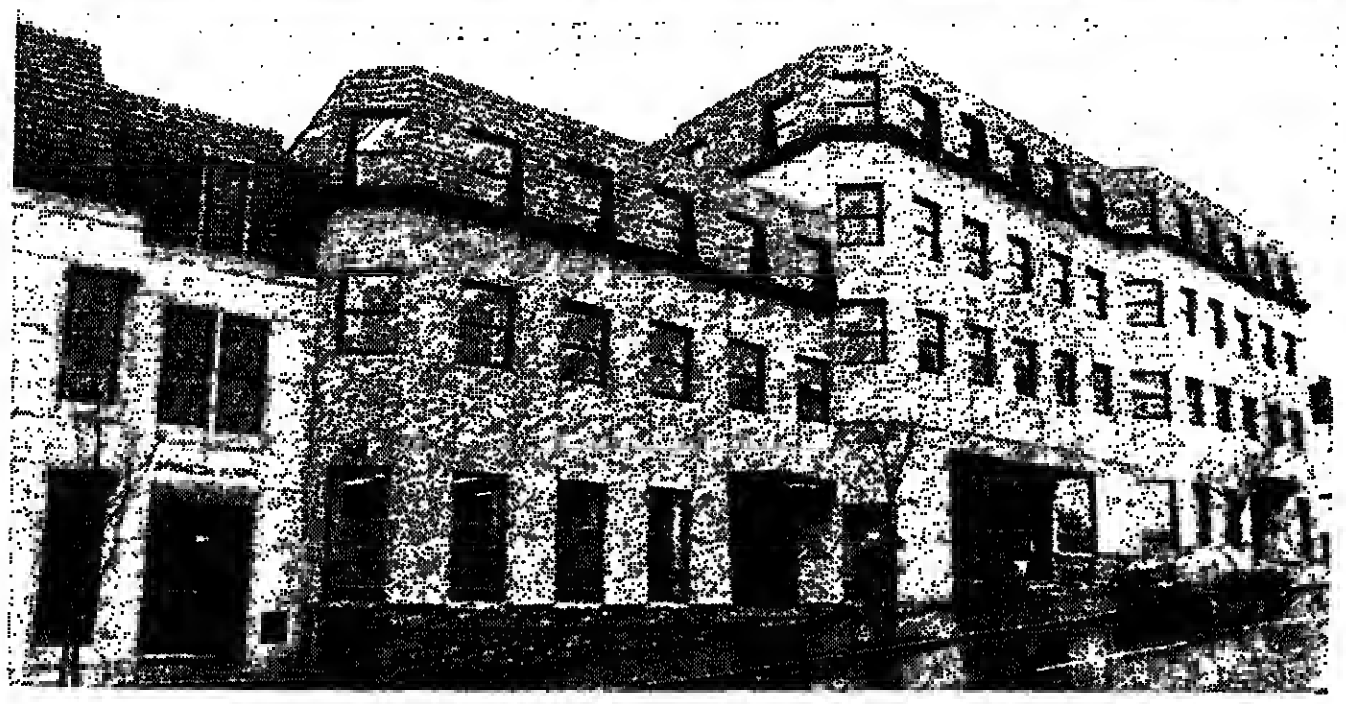
"Rediffusion thought it might be able to buy its music equipment more cheaply from a third party so it put it out to tender," explains Sir Jack. "Keeping it with Reditronics was a condition of our purchase." As the new proprietor points out, retaining this business beyond next year will depend on producing to a higb quality and meeting delivery times.

Although demand for the company's inverters has virtually disappeared Reditronics will continue to pusb its recorded commentary and public address systems through its association with Direct Media Facilities, a Sonth of England company. "With imagination we can do more with this part of the business," observes Sir Jack.

Reditronics will also be seeking more contract work — it already has experience of manufacturing products on behalf of others and can carry out all functions from design to the final inspection stage.

Finally, much thought is being given to the development of a new product line—possibly in the instrumentation field—although project remains at a early stage.

Sir Jack, who makes a couple of visits to Jersey each month emphasises the importance of developing good operating management. "We certainly need a top clasa industrial engineer and a sharper marketing approach. But at Pye when I bad 26 operating companies reporting to me I learnt that the key to success was to have a good financial director and a good managing director."



Finance groups are filling the "golden triangle" area of St Peter Port (left). In St Helier, a 115,000 sq. ft. development on the Forum Cinema site (above) is also attracting banks.

Agents assess impact of new controls

Property

WILLA MURRAY

GUERNSEY estate agents are *trying to assess the likely effects* of far-reaching new controls that the island's Advisory and Finance Committee is to ask for next year.

The proposed legislation will be similar to Jersey's Regulations of Undertakings and Development Law, introduced 12 years ago, which gives the island's Finance and Economics Committee wide powers over the introductoin of new businesses and the expansion of existing ones.

The law is a "stop-go" tool for regulating the economy *according* to *prevailing conditions*. Some observers say that it confers, for a capitalist society, a remarkable degree of *state control*.

Meanwhile, the Jersey authorities want to tighten up the law by giving the finance committee power to revoke existing licences, and by requiring traders coming into the island even for only a few days to apply for a licence.

Guernsey's finance president, Mr Roydon Falla, announcing his committee's policy decision in November, explained that the purpose of the new legislation would be to control the rate at which job opportunities were created because a high proportion of such jobs would have to be filled by immigration.

He said: "To apply stricter controls or work permits while doing nothing to limit the rate of business growth will simply generate different symptoms of overheating."

Over the past few years Guernsey has seen something of an explosion in office development. Three converging main streets to the north of St Peter Port are filling up so thick and fast with finance houses that the area has been nicknamed "the golden triangle."

The latest developments there include Sarnia House (27,000 sq ft), occupied by Lloyds Bank International and the American group, Nashua International; Truchot House (10,000 sq ft) leased by the National Westminster Guernsey Trust Co.; a 5,000 sq ft seafront site, occupied by Lazard Bros.; and a new 20,000 sq ft headquarters being built on the site of the island's last cinema for the Bank of Bermuda.

A plan reported to be in the pipeline to rebuild the 170-bed Royal Hotel as a 200-bed hotel with conference facilities, indoor swimming pool and squash courts, also incorporates office accommodation—a new departure for the Channel Islands.

According to local estate agents, leases of prime office projects are snapped up before the foundations are even laid. And the demand is there, they say, for at least 50,000 sq ft more office space.

All this activity on the business front has caused the number of houses available on Guernsey's "open market"—a pool of 1,800 properties that outsiders can buy without restrictions—to drop from 100 a year ago to about 30. This is the number that old-established agents Lovell and Partners have on their books, and they claim to have more than anyone else.

The finance boom has also led to the creation of a third strata to Guernsey's two-tier housing system, under which properties not on the "open market" can be occupied only by those with residential qualifications, or by licensed "essential workers."

Offices

Recently, middle management staff in the finance industry have been granted licences to occupy higher-rated properties on the local market costing from about £70,000. Significantly, perhaps, a local market property has just changed hands for a record £250,000.

The average price for property sold in Guernsey during October was £44,583 per transaction, whereas in Jersey it was £86,000 for the four weeks ending September 20, with 34 properties selling for £100,000 each.

The largest-ever office development in the Channel Islands is now rising in St Helier on the site of the former Forum cinema in Granville Street. It comprises four five-storey blocks providing 115,000 sq ft of accommodation, together with underground car parking.

Chase Bank and Trust Co has *taken one block as the new* headquarters for its Jersey operation. Gothard and Trevor, the local sole agents, say that banks and finance houses have already reserved the other three.

The aim of Jersey's authorities is to restrict population growth to no more than 80,000 by 1995. One of the concerns is a shifting population conservatively put at 2,000 living in lodging houses — "a huge underground population not registered, and not paying tax," *according* to one island politician.

A strongly favoured remedy is that the housing committee should take over from the tourism authorities the control of lodging houses, where some room rents are said to be as high as £75 a week.

The island's policy on wealthy immigrants is to allow in up to 15 a year; together with their households, these are reckoned to account for some 50 people and to contribute about £2.5m annually to the economy.

Spanners ready to leap in works

Tourism

ARTHUR SANDLES

THE Channel Islands faces the 1986 tourism season with some nervousness. Ferry service confusion and sluggishness in the British mainland market place this year were worrying enough. Now the islands face the impact of the holiday price war and a strengthened pound, which may make the Mediterranean relatively more attractive.

At the root of the problem is the way the islands look to the mainland, particularly the south of England, for the lion's share of tourism. More than three quarters of Jersey's staying tourists (as opposed to day-trippers) are from the mainland and a higher proportion of Guernsey's. When that market sneezes, the islands catch a cold.

The sneeze in 1985, however, was not as bad as had been feared. Latest figures suggest that visits from Britain declined but considerably less than to some other destinations, including resorts within the UK.

Jersey bed occupancy in *peak* season improved to 87 per cent from 85 per cent in the summer of 1984, which in most resorts would indicate "house full."

So why the nerves about *1986? Although the UK* tourism market is likely to undergo one of its cyclical upturns next summer, spanners *look ready to* leap *into* the works—like sterling's strength, the tour operator war and continued problems with the ferry *services.* There was a *swing* to air travel in 1985.

Sealink's heavy losses on its south-west services have sent the company into a flurry of reassessment. Experiments with luxury ships and new routings failed. Now Sealink, while cutting *fares*, is plotting a one *ship* sun-liner on its Weymouth-Jersey-Guernsey run. As the first port of call, Guernsey finds *this acceptable: Jersey does not.* (Sealink also operates from Portsmouth.)

Part of Sealink's problem has been the success of the Brittany Ferries-backed service, Channel Island Ferries, which has cut prices from Portsmouth and *looks like* stepping up *operations* next summer.

While the sea services have been battling over a declining *market, the airlines have been* enjoying a boom. The status of Jersey as a financial centre gives air services a considerable bedrock of demand.

The island has direct flights *to some* 30 UK airports, although some only at peak times. Jersey and Guernsey together have direct flights to Zurich, Amsterdam, Frankfurt, Dusseldorf, Paris, Cherbourg and Dinard, as well as a range of charter operations.

Sealink's leap into luxury shipping services may seem a little extravagant, but it was based on sound trends. The *islands*, which have always appealed to a discriminating market, are finding that quality is the greatest attraction to visitors.

In Guernsey, although occupancies overall were down by 8 per cent during the season, *the* better *hotels* sold 15 per cent more bed-nights than in 1984. Mid-range hotels had a middling sort of season, while self-catering bed-nights fell by 20 per cent.

This pattern was repeated in Jersey, where hotels had a considerably better *year* than *guest* houses.

This demand for higher grade accommodation, and the fact *that at peak times the space is* virtually full, encourages investment in new properties or in improvements. It also points the way to demands for conferences and incentive travel, a substantial growth area for the islands.

In the past few months there has been a 20 per cent rise in conference traffic to Jersey, twice that *in* the early part of the year. Business is estimated this year to have been worth £4m. Continued expansion is limited by the lack of rooms of a standard demanded by conference delegates or incentive tour organisers.

The same obstacle may restrict sales into Continental Europe. The bulk of the traffic is French and much of that in day-trips or short stay visitors. There is a high awareness of the islands in many countries but less certainty about how to *get there* and doubts over whether the islands can handle the traffic.

Basic problems in the medium and longer term, therefore, appear to be the continued upgrading of accommodation and service, and efforts to broaden *the season. Jersey* has set up a Tourism Marketing Forum, a travel business ideas co-operative, which has led to longer-term *planning.*

Thousands of tons of ballast have been dumped into the sea to provide deep berths.

Fighting the tides for more space

Reclamation

EDWARD OWEN

THE Channel Islands' harbour capitals, *already built* partly on reclaimed land, are being pushed out into the sea again to provide space for port improvements, car *parking*, new roads and urban development.

This year *new* quays and breakwater rubble mounds have gone up along the northern shoreline of St Peter Port in Guernsey to reclaim a *further* 30 acres. The *£15.7m* scheme will provide a 20-acre marina with pontoon moorings for 800 boats; parking for 1,000 cars on two sites; a large roundabout at one of the town's busiest junctions; and a marshalling area of 2.8 acres for container and ro-ro traffic.

In recent weeks much of the 260,000 cu metres of ballast needed to infill the two quays has been dredged from the main harbour which is being deepened to give better access *to ferry* berths and allow for a second drive-on ramp and a passenger quay for inter-island vessels.

The dredging is *costing* £840,000 and the harbour improvements and extensions £3m.

Virtually the whole of the frontage of St Peter Port is on reclaimed land, and in the early 1970s a plan was studied to reclaim the whole of Belle Grève Bay, more than 500 acres running north from the harbour to St Sampson's Harbour.

At that time there was no thought of a marina; the scheme was seen as helping to solve the island's waste disposal, water storage and traffic problems and providing land for hotels, flats and industrial sites. The idea was abandoned in *1976 as too ambitious*, but it could one day be revived.

In Jersey, some 35 acres west of St Helier harbour has been enclosed by a retaining wall, and infilling has begun. This sizeable addition to the town will be developed in conjunction with an extension to the harbour and replanning of the Weighbridge and Esplanade areas.

Recreation

The £15m harbour extension—the largest project undertaken by the island government—will involve reclaiming about 9 acres for two *deep-water* berths capable of taking ships up to 130 metres, plus a passenger terminal and coach and car parks.

Details of the proposed redevelopment of the Weighbridge and Esplanade areas are not being released until an island plan is published early next year. But this includes a large roundabout with underground multi-storey parking for 800 to 1,000 cars, new road systems and pedestrian bridges.

The use of the reclaimed 35-acre site, which will probably not be filled before the end of the century, is in the early planning stage. It is conceived as a new quarter of the town, with housing development, recreation areas, car parks, and possibly some industrial buildings.

Meanwhile Jersey has started *to use 14 acres reclaimed at La* Collette, east of St Helier harbour. A factory built by a welding company is in operation, and another part will be used for freight handling.

The southern section will be occupied for up to three years by contractors working on the harbour extension and a new fish quay. Sites have been allocated for eventual use as government department depots, a motor traffic office, and private harbour-orientated activities such as fish processing and boat repair.

Homes for the few

The Rich

TIM DICKSON

LORD MATTHEWS, smarting from defeat in the United Newspapers battle for his old company Fleet Holdings, may be fading from the UK commercial and industrial scene. But if it is any comfort to him he has recently become an important statistic in the Jersey economy.

Matthews is one of 15 individuals who this year have been granted consents to settle on the island "on economic or social grounds." He thus joins other celebrities such as pop singer Gilbert O'Sullivan and best-selling author Jack Higgins in a category of "wealthy immigrants" which the island authorities specifically sets out to encourage.

Jersey, Guernsey and Alderney obviously benefit both from the tax revenue of these residents— the 15 to arrive this year in Jersey are expected to make a direct contribution of £350,000—and from their spending on local services and donations to local charities. As sources of revenue they may not be as significant as banks, tourists or tomatoes, but they nevertheless justify a separate section in this month's report by the Jersey states economic adviser on the budget.

The millionaire's "consents" to purchase property — Matthews paid around £1m for his retirement home — are granted under Jersey's Housing Regulation 1(1)K. The conditions for qualification are not entirely financial—even if considerable personal wealth is a prerequisite — while all applicants are interviewed in person by the island's economic adviser, Colin Powell.

Lord Cromer, a former governor of the Bank of England, and journalist Alan Whicker are among those who own houses on Jersey. Guernsey, which has no 1(1)K equivalent but whose two-tier housing system enables outsiders to buy properties on the limited "open" market (see article on property), "boasts" Prof Northcote Parkinson (of Parkinson's Law fame) and a sprinkling of industrial and property tycoons among its celebrities.

Although it is officially confirmed that Jersey's 1(1)K regulation is to be maintained in 1986, the States has also indicated that the system could be changed to reduce immigrant pressures. The present policy will be reviewed in September next year when the results of the new census become available.

Commenting on a suggestion made this year that wealthy immigrants also represent a "cost"—that with three persons per consent effectively 45 people come in under the 1(1)K category—the 1985 Budget report points out that "some immigrants of previous years have either died or left the island. The number of persons resident in the island in receipt of substantial investment income from abroad is not thought to be increasing to any great extent from year to year."

Lord Matthews (left) and Alan Wicker—two of the wealthy immigrants to Jersey

Victor Hugo valley raises passions

Water

EDWARD OWEN

JERSEY is fiercely divided over the future of a valley—a green and pleasant spot in the east of the island where Victor Hugo used to take walks during his exile, and where detective Jim Bergerac originally had his converted farmhouse home in the BBC TV thriller series.

The Jersey New Waterworks Company and the Public Works Committee, supported so far by a majority of States members, believe that flooding Queen's Valley is the most practical solution to a potentially critical water resources problem.

A substantial number of islanders (more than 11,000 recently signed an anti-flooding petition) oppose the scheme on environmental grounds and think that the risk of Jersey running short of water can be removed by better management of resources and by enlarging an existing reservoir at Val de la Mare, in the west of the island.

When the project was first proposed more than 10 years ago, no-one imagined the controversy would still be raging in 1985—and, indeed, be even more passionate.

The waterworks company, in which the Island Government now has a controlling interest, has had the policy of flooding Queen's Valley endorsed by two consultants' reports.

The main pressure group opposing the scheme, called Concern, instigated an independent inquiry that reached the opposite conclusion. The group recently brought over a UK expert who agreed there was a case for studying the alternative of enlarging the Val de la Mare reservoir.

Opponents of the scheme also point to the findings of an inquiry board (headed by the late Sir Giles Guthrie), which was set up in the early days of the controversy.

The board saw no need to flood the valley if demand were controlled by domestic metering and a stricter pricing policy, and recommended that the existing reservoirs should be topped up in the summer from Jersey's oil-fired desalination plant—a proposal that the waterworks company says would now cost £1.5m.

So far, the island Parliament has had at least eight debates on the issue. This year the House has rejected moves to look again at the Val de la Mare alternative and to set up another inquiry into the whole water situation. After each vote, the controversy was declared closed—only to gather heat again.

In October, Jersey saw one of its largest public demonstrations when conservationist Dr David Bellamy led a procession of thousands of protester through the threatened valley.

To the chagrin of the pro-flooders, Gerald Durrell, founder of the Jersey Zoo, also stepped into the fray, describing the Queen's Valley scheme as "ill-thought-out and ill-conceived."

The opposition has now crystallised around the draft enabling legislation, which empowers the waterworks company compulsorily to purchase the 28½ acres of land needed for the reservoir with apparently no provision for objection or appeal.

Among those affected is the National Trust for Jersey, which is reluctant to surrender three acres of woodland it owns in the Queen's Valley.

The draft law has been attacked by one anti-flooder, a local advocate, as "an horrendous invasion of the rights of the citizen." In defence of it, the island's attorney-general, Vernon Tomes, produced a 15-page report.

The parliamentary debate on the enabling bill has been postponed from November to January to give members more time to study its implications.

In response to the 11,117 signatories of the petition, Deputy Don Filleul, president of the Public Works Committee, has promised to have a "fair and unbiased" report prepared on the island's water situation.

Meanwhile, the estimated cost of the Queen's Valley project has risen from an original figure of £3.5m. to £13.5m.

Excavating the recently discovered Roman site in St Peter Port

Land and sea yield historic secrets

Archaeology

ALLAN ELLIS

A RICH haul of archaeological discoveries within the past few years has changed experts' view of Guernsey's importance in Roman times.

Until recently, Roman remains were so negligible thet it was thought ships from Brittany, at that time Roman-controlled Gaul, probably avoided the island's rock-infested coast when they crossed the Cbannel.

Now, there is abundant evidence to suggest that from around 100-400 AD St Peter Port was a Roman town where inhabitants worsbipped Roman gods and lived in relative sophistication.

Excavations carried out over two years in gardens at the town site of La Plaiderie, which were completed last October, have revealed three substantial buildings of local granite with Roman roof tiles that were almost certainly warehouses.

These, together with a wealth of items that are now being investigated and catalogued, establish St Peter Port as a thriving waterfront trading station and staging post serving the imperial army. One of the artefacts unearthed is a locally made burial urn in typical Roman style, complete with cremated remains.

The dig was directed by Bob Burns, assistant curator of the Guernsey Museum, who is convinced that a Roman villa belonging to the commander of the trading post is buried somewhere near La Plaiderie.

Roman remains were found also at King's Road on the outskirts of St Peter Port, where a rescue dig was mounted before the site was redeveloped.

Revelations of significant Roman activity on land were matched at sea by local diver Richard Keen's exciting discovery of the unique wreck of a Roman trading vessel, marvellously preserved for nearly 18 centuries in the silt of St Peter Port harbour.

Dr Margaret Rule, who directed the raising of the Tudor warship Mary Rose, led a successful race aaginst time last spring to rescue considerable remains of the 35 ft-long vessel. The operation was the subject of a BBC 2 documentary.

Ironically, the flat-bottomed ship was rapidly being destroyed by what had originally led to its exposure and discovery—propeller-wash from a new generation of cross-Channel ferries.

Almost 110 solid oak beams from the dismantled Gallic-built vessel now lie in tanks in a St Peter Port warehouse to draw out the salt. This, a necessary process before preservation treatment can begin, is expected to take two years.

The Guernsey Maritime Trust is employing archaeologist Jason Monaghan to organise the cleaning and cataloguing of thousands of relics taken from the wreck. He is also constructing a one-tenth scale model of the vessel, which is a sea-going type of craft referred to by Julius Caesar, but lost to sight for centuries.

The trust, a local body formed to fund recovery and preservation of the wreck, has nearly reached its target of £40,000, launched with a £10,000 donation from Barclays Bank. But it is now seeking more money for a permanent display in the island.

Dr Rule, who continues to mastermind the overall operation, described the Gallo-Roman vessel as the most important shipwreck in Europe.

For a few tense weeks last month it looked as though Guernsey was about to deliver another lost treasure from the sea—this time a late medieval ship.

The wreck was discovered in an area of St Peter Port harbour about to be dredged for berthing improvements. Dating from around 1350 to 1490, it is one of only three shipwrecks of this period ever discovered in British waters.

Guernsey's Ancient Monuments Committee mounted an urgent operation with the National Maritime Museum to mova the remaining two-thirds of the vessel to a nearby bay, where it was planned to bury it in sand for later excavation.

Just as weather condtions improved sufficiently to allow a stand-by team of divers to shift the wreck, continued dredging operations succeeded in disintegrating it.

Guernsey Museum Curator Rona Cole said: "Although we are disappointed that the wreck is no longer a coherent structure, none the less the majority of the timbers have been recovered and will be recorded.

"The most important objective for us is to publish the information we will have gained from the wreck. To save the actual structure would have been a bonus."

Church saved from police takeover

Culture
WILLA MURRAY


Looking over Jersey's Mont Orgueil Castle and Gorey Harbour

A REGENCY church that was threatened at one time with being turned into Guernsey's central police station has been saved through the efforts of conservationists and opened as e concert and assembly hall.

The elegant steeple of St James, tipped with ball, spire and weathercock, rises 110 ft from the ground half way up the long curve of St Julian's Avenue and the Grange, and overlooks St Peter Port.

Immediately below it lie the prison, now being rebuilt in the north of the island, and the police station—still to be relocated.

Apart from the architectural importance of St James to the town's skyline, it is something of a watershed in the history of the once French-speaking island.

At the suggestion in 1815 of Sir James Saumarez, one of Nelson's most distinguished admirals, it was built to celebrate the victory of Weterloo and provide e church for the British redcoats stationed in Guernsey where services for the first time would be n English. (Sir James hed anglicised his own name by dropping the "de" and "s" of de Sausmarez for fear a Guernseyman should be mistaken for a French traitor.)

The architect was John Wilson, often described as "the Nash of Guernsey," who was responsible for many of the fine Regency buildings with which this period of island prosperity has endowed St Peter Port.

A Cumbrian stonemason's son, John Wilson, who arrived mysteriously in 1816 and left Guernsey equally mysteriously in 1830, also designed the Tudor-revival reconstruction of Elizabeth College, opposite St James.

Guernsey'e public school was founded by Queen Elizabeth I, the cost of its refabrication in 1826 was met by the tax of e shilling on a gallon of spirits.

The neo-classical building of St James, faced with honey-coloured Roman cement, was completed at a cost of 700 guineas by 1818, and was consecrated that year.

But with the departure of the last British regiment, and later with the decline of Guernsey'e bi-lingual heritage after the evacuation of so many island children during the Second World War, St James lost its special role. It was secularised and presented to the island government in the early 1970s, when Guernsey was beginning to develop as a finance centre.

Local MPs who saw the disused church as a revenue-raising site for office development soon came up against a determined group of conservationists.

For 12 yeare they lobbied for mooey to restore St James, urging that fine ecoustics made it e natural for the concert hall the island lacked.

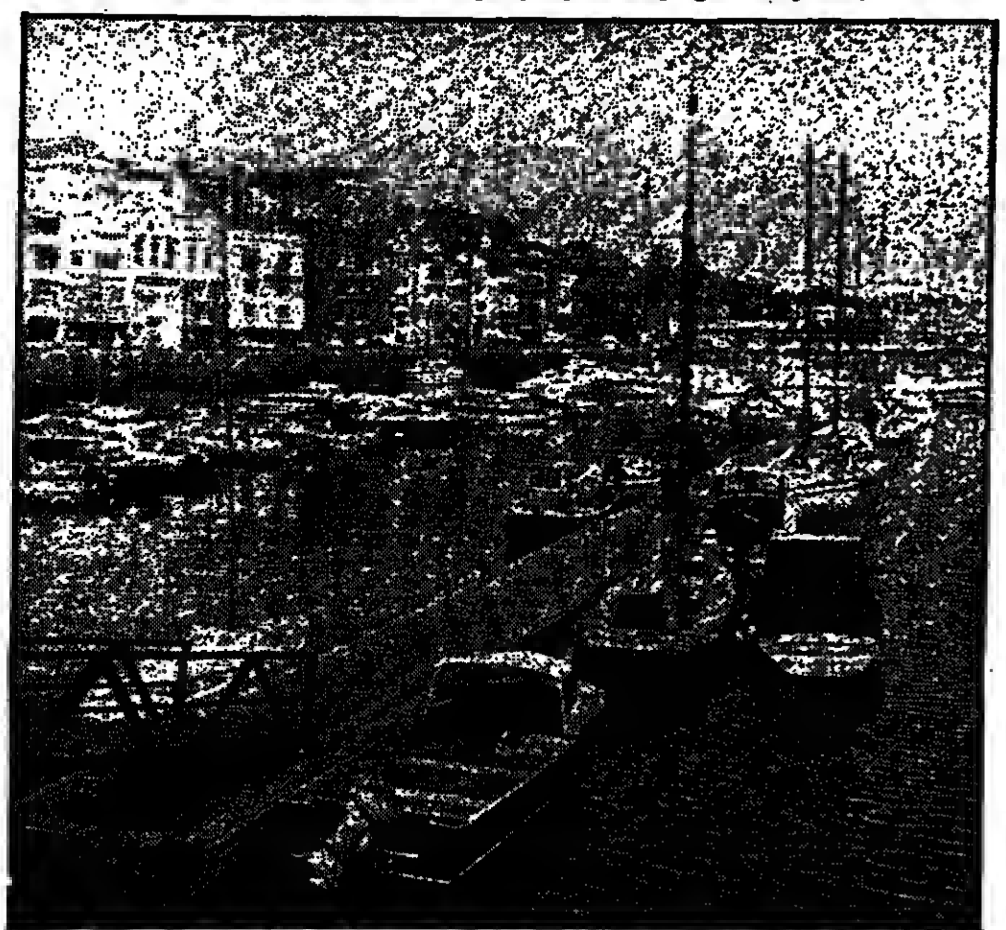
Restoration at an estimated £73,000 was agreed upon in principle in 1975. Five years later, with the building declining further into damp and decay and costs rising, Guernsey's parliament decided to construct a new police station on the site—behind the carefully preserved facade of St James.

The conservationists, who saw the compromise as "a monstrous act of architectural hybridism," rallied by forming the association of the Friends of St James, and offering to administer the building if the Government would pay for restoration and upkeep of the fabric. They also raised £40,000 privately as security for their promise.

As a result of the Friends' spirited campaign, local MPs voted in 1983 for restoration work to go ahead—by then at e cost of £458,000.

Last July to a fanfare by composer and local resident Bob Farnon that visibly split the ear-drums of dignitaries on the stage, the Duke of Kent officially opened St James. The Duke flew into Guernsey in his capacity of chairman of the UK committee for European Music Year, which had accepted the project as Guernsey's contribution.

Since then, St James has opened up the island'e cultural life, helped by sponsorship from over a dozen banks and finance houses. The Friends of St James have brought in top-ranking musicians to give evening and lunch-time concerts and have also provided the venue for a variety of events from drama to fashion shows.


The international growth of yacht ownership has created a new market for the Channel Islands

Fleet swollen by perks of flying British flag

Marine Business
EDWARD OWEN

THE international growth of yacht ownership in the mid-1970s created a new market for the Channel Islands, providing facilities for foreigners to obtain the advantages of flying the Red Ensign.

This involved setting up a Channel Islands company for the owner so that a vessel could qualify for British registration. Along with company management went the opportunity to arrange marine mortgages and insurance and to provide trust formation and other financial services.

At least 2,000 or 3,000 yachts in areas such as the Mediterranean and the Caribbean are Channel Islands-owned, and new yacht companies are being formed almost every week.

One of the first into the market was the Guernsey merchant banking subsidiary of Slater Walker, including Sarnia Yachts, taken over in 1976 by Ansbacher (CI). Another Guernsey company, Bachmann has built up a fiduciary business handling well over US$300m of assets through marine services.

In Jersey, one of the leaders in the field is Hardy & Le Quesne.

Much of the yacht registration business comes through international boatbuilders and brokers. They recommend a Channel Islands company to buyers not only for securing British registration, but for professional administration of a sizeable yacht or motor cruiser.

Larger vessels, rather than the 40 or 50 footers, provide the potential market nowadays. Bachmann's basic package for registration and documentation costs £2,000 to £2,500 in the first year and about £900 annually thereafter. Clients tend to own yachts costing at least US$300,000 with one or two worth more than $10m.

Bachman is handling 80 to 100 registrations and looking after about 600 vessels.

The company acted as consultants for the luxury yacht Permaisuri, designed and built by the Swiss management group Alncraft and sold to the Sultan of Selangor.

A yacht owned by a Channel Islands company can often avoid taxes due if flying its own flag. Companies formed for foreign yacht owners have no tax liability as long as they do not trade locally and are not subject to VAT or to capital taxes on sales transactions.

But the tax factor is becoming less significant in the yacht registration business, according to Mr Peter Bachmann. "An international client owning a luxury yacht is already likely to have arranged his tax affairs."

For commercial shipowners one of the attractions of the Channel Islands is that while they are recognised as official British Ports of Register rather than ports of convenience, the requirements to obtain British registration or less onerous.

This is because some of the more recent conventions applying on the UK mainland have not been extended to the islands. This will change when Britain's central shipping register is established.

Unlike the Isle of Man, neither Jersey nor Guernsey is expected to set up the marine administration and inspectorate needed to qualify as a Port of Register under the new Merchant Shipping Act.

While a ship owned by a Channel Islands company will still be able to show Guernsey or Jersey as its home port, it will be effectively UK-registered and have to comply with DTI standards.

Interest-free borrowing from licence to print money

Currency
EDWARD OWEN

VISITORS quickly accumulate a mixed bag of money in the Channel Islands, where English, Jersey and Guernsey coins and notes jostle together.

At one time the islands were a little wary about accepting each other's money, but more inter-bailiwick commuting has broken down the barrier.

English money is legal tender throughout the islands and, properly speaking, is the real currency. Outside the archipelago, Jersey and Guernsey money has no standing—although, as their coins are identical in size and shape to their English counterparts, they turn up in mainland slot machines, "contaminating," as the Bank of England puts it, the national coinage.

While it underlines the islands' indepeodeoce to have their own mooey, there are also definite economic benefits. Guernsey first issued States notes in 1816 to finance public works without borrowing and the purpose is still essentially the same.

To the extent that the island governments can get their own notes and coins into circulation (over the Christmas period the total could be £20m in Jersey and £10m in Guernsey), the governments have an interest-free loan from the clearing banks, which purchase their requirements at face value.

The States of Jersey and Guernsey use local money in their own transactions and periodically urge all islanders to do the same.

"Every States' note kept in circulation instead of an English note helps to keep taxes down," the Guernsey public was reminded.

Ideally, the island authorities would like to see their own money used exclusively, but this would be feasible only if the archipelago were an independent monetary area.

Although there have been occasional voices calling for the islands to break away from sterling and set up their own central bank, this possibility has never been considered seriously until the past year—and then only as "contingency planning."

Guernsey's finance committee opened up the issue by questioning—clearly with an eye on a future Labour Covernmeot in Britain—whether the UK Exchange Cootrol Act should any longer apply automatically to the island.

This led to discussions with Jersey, and finally to a meeting with Bank of England, Treasury and Home Office officials at which the islands were assured that "monetary matters" were regarded as their own affair and there was no constitutional objection to the kind of contingency planning they were undertaking.

For the foreseeable future, however, Channel Islands money is likely to remain a strictly local currency of no interest to anyooe else except collectors and souvenir-hunting holiday-makers.

Guernsey is making its first serious bid to break into the international oumismatic market with a new set of coin designs issued this year. The island's independently-run Post Office is handling the marketing through its philatelic bureau.

To make its coins more acceptable to collectors, Guernsey has put the Queen's head on them for the first time since it introduced its own coinage (denomioated io doubles until decimalisation) in 1830. Apart from one or two special issues, the obverse of Guernsey coins has always carried only the island's crest.

Jersey's last change of design for coins up to 50p was in 1983, but a series of £1 coins featuring emblems of the island's 12 parishes on the reverse (the larger island has always shown the emblem of the Queen) is being issued at the rate of two a year.

Both islands brought out a £2 commemorative coin to mark the 40th anniversary this year of their liberation from German occupation, and next year both are issuing a £2 coin to mark the 13th Commoowealth Games.

Neither island has plans to compete with the Isle of Man Angel or Canadian Maple by producing a gold coin.

Standing on their own financial feet

Smaller Islands

WILLA MURRAY

UNLIKE SARK, which relies heavily on Guernsey for guidance and expertise, is virtually independent financially, Alderney is economically intertwined with the larger island.

From a budgetary point of view, the 3½-mile-long island is rather in the position of a subsidiary that is expected to stand on its own feet, but has 84 per cent of its balance sheet controlled by the parent company.

Under a post-war reform, Guernsey took over responsibility for the northern isle, which had been evacuated and turned by the occupying Germans into a concentration camp.

Alderney pays Guernsey's rate of income tax, social insurance and indirect taxes. It also pays Guernsey (handsomely, say local residents) for services such as administration of the island's hospital, school and small airport.

Only the maintenance of Alderney's 1,000-yard-long breakwater was specifically excluded in the post-war deal, but now Guernsey has offered to take over this Victorian white elephant as the major part of a defence contribution package to the British Government.

Work began on the breakwater in 1847 when the British Admiralty was planning to create a strong base in Alderney to counter a French naval build-up at Cherbourg. By 1864, the uncompleted and enormously expensive scheme had been abandoned.

Since then a succession of UK government departments has been responsible for the upkeep of the breakwater, the latest being the Department of the Environment. The annual maintenance cost is currently put at £550,000, of which Alderney contributes £15,000.

The problem for Alderney is that Guernsey's increasingly sophisticated life style is too expensive—and even inappropriate—for a community of 2,200.

This year, as it happens, the smaller island's financial position looks not unhealthy, thanks largely to a £200,000 tax revenue increase that has come from no one quite knows where.

But in its latest budget report Guernsey's advisory and finance committee says that Alderney's economic situation is "precarious and the long-term trend is still worrying." Talks are going on between the two islands on expenditure levels, especially on the cost of the services Guernsey provides for Alderney.

It is against this background that the Alderney authorities see the need to diversify the island's economy, at present dependent mainly on tourism and well-to-do settlers like John Arlot and author Elizabeth Beresford.

The increasingly selective policies of Jersey and Guernsey—especially Guernsey's intention to introduce control over new businesses—are seen as providing Alderney with an opportunity to pick up some of the tit-bits from its wealthier neighbours' tables.

The island authorities are particularly keen to encourage high-value production units employing from three to a maximum of ten, which might now be regarded as too small for Guernsey.

They also see a chance of attracting, for example, fiduciary business following Guernsey's recent ban on further private trusts companies, but would clearly have to rely here on the larger island for vetting and supervision.

Alderney has its own company law, and its immediate advantage for incoming businesses is that there are no housing restrictions.

The little town of St Anne houses branches of most of the clearing banks, two firms of accountants and a branch of a Guernsey legal practice. The local lawyer, Jon Kay-Mouat, is the president of the island parliament.

While Alderney lacks the sophisticated infrastructure of Jersey and Guernsey, the locally based airline, Aurigny Air Services, flies daily to the larger islands and to Southampton, and provides regular links with Bournemouth, Cherbourg and Dinard.

One businessman who finds Alderney an attractive base is Norman Laws, who runs a world-wide shipping and transport agency from an office in St Anne.

High-tech

Ian Burgess moved the headquarters of his consultancy service, Linked Medical Data, to Alderney in 1983. Launched in the UK six years ago, the service monitors, through a panel of 1,000 GPs, situations in general practice where drugs are not working and may have to be changed. He is now extending operations to the Continent, working with Audits of Great Britain, one of the world's leading market research groups.

Says Mr Burgess: "High-tech consultancy services are the ideal type of industry for Alderney, where there are good telephone and air links. It is also a very nice place from which to operate—a lot nicer than Jersey or Guernsey!"

Although feudal Sark has independent control of its finances, raising revenue from a population of only 420 has its problems and the island's prosperity hangs on carrying out the principle recommended by Mr Micawber.

A detailed financial report from the general purposes committee, which is chaired by Sark's hereditary seigneur, Michael Beaumont, concluded last January that the only practical means of raising money in a crisis would be to introduce some form of income tax.

However, with a budget surplus of £8,000 in 1984, there is no serious intention of implementing this proposal in the near future.

Suggestions in the island parliament that companies using Sark directors for tax advantages should make a "voluntary contribution," and that those residents holding such directorships might contribute 5 per cent of their income to an island trust, were dismissed as "idealistic."

A computerised furnace burns 2,000 tons of waste a year to heat glasshouses for La Chasse Nurseries at St Saviour to p oduce tomatoes

Bad times for the Guernsey Tom

Horticulture

EDWARD OWEN

IT HAS been a traumatic year for Guernsey's horticultural industry, with the problems of continuing poor returns and shrinking markets for tomatoes aggravated by a battle over the future of the island's tomato marketing board.

Once the mainstay of the local economy, the tomato industry has been in steady decline since the mid-1970s, hit by intensified Dutch competition on the UK market and the rising cost of the oil needed to heat glasshouses.

In the heyday of the Guernsey Tom, the equivalent of 8m six-kilo trays were being exported. This year's shipments were down to 2.7m trays and the 1986 figure is expected to be 1.9m.

With the fall in exports came increasing doubts about the usefulness—and efficiency—of the Guernsey Tomato Marketing Board, a producer-owned body set up in 1952.

Long regarded as a model of centralised marketing, the board came under fire for failing to adapt to changes in the market, especially the emergence of the supermarket chains.

Last year it seemed to have regained growers' confidence when it won their backing for buying a computerised grading machine and cooling equipment.

The first sign that these moves had not quelled unrest came in the annual report of the island's biggest horticultural undertaking, Kenilworth Vineries. The chairman said he believed Kenilworth could have achieved 10 per cent higher returns if it had been able to market tomatoes independently. He called for the end of the board monopoly and its reconstitution as a commercial company.

The following months saw the fiercest public debate on horticultural policy since centralised tomato marketing was introduced. In a bid to fend off the demand of Kenilworth and its allies for the board's liquidation, the board offered to divest itself of compulsory powers and to realise its assets for the benefit of grower-owners by selling its premises to the island states under a lease-back.

This, was aimed at preserving the marketing organisation for the industry as a whole, since the board was already handling Guernsey's cucumber exports and more than 90 per cent of its celery and capsicum. Since then it has begun to pack the island's newest crop, kiwifruit.

A ballot of the remaining 190 tomato producers showed that smaller growers wanted to keep the board while the larger producers wanted to disband it. As both groups had to agree for the board to be wound up, it stayed in existence.

This was followed by another ballot in which tomato growers voted overwhelmingly to sell the board's depot for £1.15m and share the £800,000 net proceeds.

More conventional

Local MPs agreed to strip the board of its compulsory powers but the proposal that the States should buy the premises proved more conventional.

Under a 1952 law, the assets belong to the growers shipping through the board in any given year. No one foresaw when the law was framed that the original 2,000 registered producers would drop to 190 and that the board would possess more than £1m worth of property.

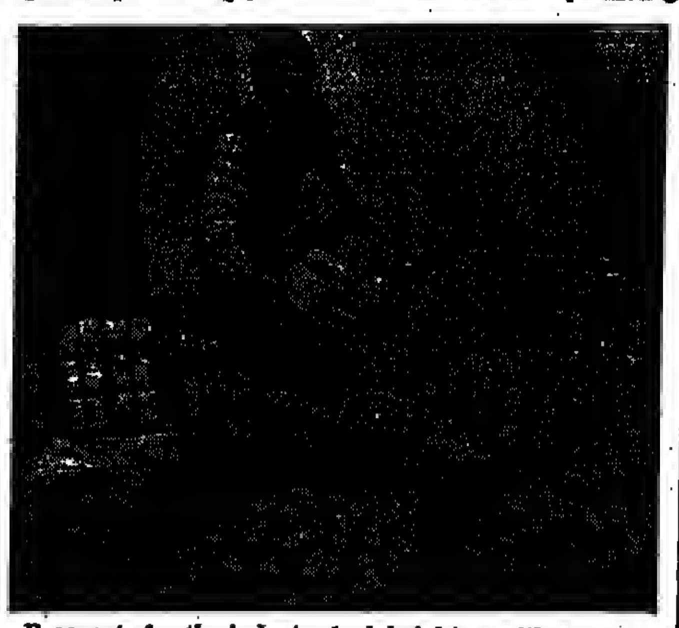
The hundreds of former tomato growers who had switched to other crops or retired felt that they had a claim on the assets. Surviving producers insisted that they alone were entitled to the assets and that the share-out would be only a small compensation for losses.

Some island MPs questioned why taxpayers should spend a further £1.15m on buying the depot when the tomato industry had been subsidised through a price support scheme. In the end, the sale went through and the depot has been rented back to the board.

With the revolution over, the prospects for Guernsey horticulture look brighter. A re-shaped tomato board is set to develop into a Guernsey Produce Marketing Board, handling all edible crops. Flower exports are also expanding.

While tomatoes will take up only a sixth of the glasshouse area next year, growers are less pessimistic. There has been a drop in the price of heavy fuel oil and, in any case, fewer growers are risking the extra heating costs of producing an early crop.

Meanwhile, a legal doubt hovers over the right of this year's registered tomato producers to their cash share-out without the board being liquidated and a court decision may be needed.



Prospects for the industry look brighter, with a single board being developed to sell produce

Setting limits to growth

CONTINUED FROM PAGE ONE

Islands currency is not one most people wish to contemplate even though Bermuda has shown that it is technically feasible for a small island community.

That such speculation exists is a vivid illustration of the vital importance of the finance sector to both islands, and of their need in the mid 1980s to maintain the confidence of international investors. This month's report of the Jersey States economic adviser on the Budget suggests that the finance sector now accounts for more than 30 per cent of the island's income—considerably more if the investment income from individuals and companies from abroad is included—and that the growth of these activities in the last year is largely responsible for a 1985 budget surplus of £13.4m.

Most of the current economic growth in Guernsey, according to last month's economic report to the Guernsey States advisory and finance committee, is also "due to the finance industry" and the majority of the 1,000 or so new jobs created since the beginning of 1984 have ben in the finance or service sectors.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday December 18 1985

Continental Illinois shakes off 'safety net'

By William Hall in New York

CONTINENTAL Illinois, the big Chicago banking group which had to be rescued by US bank regulators last year after a run on its deposits, announced yesterday it was disbanding its special funding "safety net" provided by leading US banks.

The announcement that Continental Illinois can fund itself in the world's money markets without special assistance for the first time in more than 1½ years is a milestone in the bank's financial recovery and comes earlier than many people had expected.

It means that for the first time since US bank regulators mounted their $4.5bn permanent assistance package for Continental Illinois in the summer of 1984, the group is able to fund itself normally.

This is an important test of confidence in the view of bankers who have watched the group's efforts to rehabilitate itself after its problems. The Federal Deposit Insurance Corporation (FDIC) pumped in extra capital, brought in a new top management team and stripped out most of the bank's problem loans. However, international confidence in the group had sunk to such a low ebb at one stage last year some analysts were sceptical Continental could attract enough deposits to maintain a sizeable banking group without long-term assistance.

As part of the $4.5bn permanent-assistance package provided to Continental last year, the US Federal Reserve pledged to continue supporting the bank as long as the FDIC was involved and a group of commercial banks also undertook to maintain a $5.5bn safety net facility.

At its peak in August 1984 special assistance from the Federal Reserve and the safety net totalled almost $12bn. Mr John E. Swearingen and Mr William Ogden, brought in by the FDIC to restore Continental's fortunes, said yesterday that "we now stand on our own feet in all the financial marketplaces of the world in securing funding for our operations."

Continental has not borrowed from the Federal Reserve in more than three months

Deutsche Bank plans wide sale of Flick stake in Daimler-Benz

BY JOHN DAVIES IN FRANKFURT

DEUTSCHE BANK of West Germany is offering the Flick group's 10 per cent stake in the Daimler-Benz motor vehicle concern for sale for DM 3.8bn ($1.52bn).

The bank announced yesterday that it was offering Flick's 3.4m Daimler-Benz shares to investors at a price of DM 1,120 a share, payable on January 8. The shares, which qualify for the full 1985 dividend, will be sold through a broad international consortium for a wide spread of ownership.

The offer price is slightly over DM 100 less than yesterday's closing price of DM 1,220.50 for Daimler-Benz shares on the Frankfurt Stock Exchange. The market price fell DM 31.50 during the official trading, losing most of the previous day's gains.

The Daimler placement follows Deutsche Bank's decision to take over the privately owned Flick empire from the beginning of January for about DM 5bn, for subsequent phased disposal to investors.

After acting promptly to sell off the Daimler stake, Deutsche Bank will arrange a stock market flotation for a holding company bringing together the "core" businesses in the Flick empire – the Feldmühle papermaker, the Dynamit Nobel chemical concern, and Buderus, the iron and steel group. Shares in the holding company are expected to be offered to investors in a few months.

It has already been announced that W.R. Grace, the diversified US company, will exercise its option to buy back Flick's 28 per cent stake in it for $595.9m.

Deutsche has stressed that it aims to spread the Flick interests as widely as possible. It has also indicated that it faces a substantial tax bill after the sale of the Daimler and Grace stakes.

Hertie manager chosen to spearhead return to profit

BY OUR FRANKFURT STAFF

HERTIE, the loss-making West German department store group, has named a new management chief to head its efforts to return to profitability.

Mr Jürgen Krüger has been named "spokesman" of the management board, in effect taking over from Mr Bruno Lippmann, who resigned suddenly as president of the board nearly 10 months ago.

The difference in title reflects the fact that the management board has operated as a "collegiate team" since Mr Lippmann's departure, according to the company.

Hertie runs more than 100 stores throughout West Germany, making it the country's third-largest department store group with sales of DM 5.72bn ($2.27bn) last year. It is largely owned by private trusts.

Like other retail stores, Hertie has been affected in recent years by a combination of intense competition and recession, but has found it harder than some rivals to make a turnround. Last year was its eighth consecutive year in the red, with operating losses in this period of DM 517m.

Mr Lippmann resigned in the middle of a controversy about the correctness of Hertie's strategy, which included store modernisation and more emphasis on quality and design. As part of the new strategy, the company announced recently that it would close three stores in the Ruhr area but then agreed to postpone the move after trade unions objected.

Mr Krüger, who is 44, has been on the management board of Hertie for only two years but is a veteran of 26 years in the retail trade, including experience in the US, France and Sweden.

He had management responsibility for Hertie's sales division and is to retain this role.

Fermenta finalises US acquisitions

BY KEVIN DONE IN STOCKHOLM

FERMENTA, the Swedish fine chemicals and biotechnology group, has completed the takeover of SDS Biotech and Vertac in the US, its biggest acquisitions to date.

The cash and shares deal is worth about $118m. Fermenta said it had paid $94m in cash and was issuing 3m new shares to finance the deal.

Fermenta free shares, which have risen rapidly during the autumn, closed at SKr 240 ($31) yesterday. Since Fermenta went public in June 1984 the share price has risen 1,029 per cent.

SDS Biotech was jointly owned by Diamond Shamrock and the Vanderbilt Development Holding company, while Vertac has been acquired from Dyticon Investment.

The two companies have a joint turnover of about $300m and a workforce of 1,100. The takeover is expected to double Fermenta's turnover next year to more than SKr 3bn.

Fermenta said that, as part of the restructuring of the SDS Biotech/Vertac operations, the SDS research and development (R&D) activities would be sold off to a group of outside investors for about $60m.

The Swedish group would take a stake of about 30 per cent in the new R & D company.

The SDS Biotech/Vertac acquisitions will enable Fermenta to expand its operations into animal health and animal feed and provide a substantial base for growth in the US as well as in Central and South America and the Far East.

Thyssen to pay first dividend since 1982

By Our Financial Staff

THYSSEN, the West German industrial group whose big steel unit this week reported a strong recovery in profits, plans to pay its first dividend since 1982.

The company said yesterday that earnings for the year to September, 1985 had shown a substantial advance. It plans to pay a dividend of DM 5 a share, DM 3 more than in 1982.

Thyssen will not be announcing profits figures until early next year, but yesterday it was prepared to disclose an increase from DM 32.4bn ($12.8bn) to DM 34.8bn in turnover last year.

Thyssen said all divisions operated at a profit. As a result, group earnings for 1984–85 substantially exceeded the DM 181m net returned for the previous year.

The group had made a good start to 1985–86. The 1985 results showed that "Thyssen was on the road to strengthening its earnings potential."

Steel division sales rose 12 per cent to DM 11.5bn. Sales of the capital goods and processing units expanded 8 per cent to DM 10.4bn with Thyssen Industrie, the major capital goods manufacturer, being able to increase earnings considerably.

Bosch to step up Austrian operation

By Jonathan Carr in Frankfurt

ROBERT BOSCH, the West German electrical and vehicle parts group, plans to boost its activities in Austria in the field of fuel-injection technology.

Bosch is to raise from 26 per cent to nearly 90 per cent its stake in Friedmann und Maier, a maker of fuel-injection components based in Hallein, Austria, which had sales this year worth about Sch 240m ($13.5m).

Manufacturers Hanover reorganises CIT unit

BY PAUL TAYLOR IN NEW YORK

MANUFACTURERS Hanover, the fourth-largest US banking group, yesterday announced an extensive reorganisation of its CIT financial unit involving the creation of five strategic operating units, the redeployment of $2.4bn in assets and the appointment of a new senior management team.

Separately, the banking group's board approved a 1 cent a share increase in Manufacturers Hanover's quarterly dividend to 81 cents a share.

The moves at CIT are aimed at streamlining and enhancing profitability at the unit, which Manufacturers Hanover acquired from RCA in May last year for $1.51bn and which reported $137.1m net income last year.

The changes will refocus CIT's activities on business and corporate lending – transferring its consumer-lending operations to another Manufacturers Hanover subsidiary – and result in a wide-ranging consolidation of the parent holding company's non-bank subsidiaries.

Following the reorganisation CIT will have five new market-oriented operating units: commercial finance, equipment finance and leasing, factoring, sales finance and special corporation products. This will reposition CIT as a nationwide business-to-business lender with more than $8bn in assets and 106 offices.

As part of the reorganisation about $1.2bn of domestic equipment financing receivables will be transferred from Manufacturers Hanover Leasing to CIT. About the same volume of direct consumer loans will be transferred from CIT to Manufacturers Hanover Financial Services, the group's consumer finance subsidiary, turning the unit into a $2.6bn consumer finance company with more than 643 offices.

Mr John McGillicuddy, Manufacturers Hanover chairman, said: "This rationalisation of our key non-bank subsidiaries, placing assets with similar characteristics under common management, will sharpen the management and marketing focus of two high-return high-priority sectors – asset-based lending to the national middle-markets and consumer lending on a national basis."

Eurodollar market gets lift

ANOTHER strong performance by the New York bond market helped the Eurodollar market to make gains, although it was still lagging, writes Maggie Urry in London. Some good demand was seen in the secondary market and prices gained around ¼ point. The rise ensured a good reception for a $125m, 10-year issue for Statoil, the Norwegian state oil company. The bonds are unsecured and unsubordinated.

This deal, led by Deutsche Bank Capital Markets, was priced at a yield 28 basis points above the US Treasury yield curve. The coupon is 9¼ per cent and issue price 100¼ with fees of 2 per cent. The issue traded well inside the fees however, at a level within the 1¼ per cent selling concession.

In the floating-rate note market Crédit Lyonnais gave a mandate to Shearson Lehman Brothers International to act as sole manager and underwriter on a $150m, seven-year deal. Shearson performed the same task for a World Bank fixed-rate deal last week. By not syndicating an issue with a number of co-managers, the lead manager can keep tight control of the bonds and the deal can perform better. The disadvantage could be that a good secondary market in the bonds might not result, although Shearson expects a number of market-makers to trade this issue.

Although the terms looked tight at a coupon equal to six-month London inter-bank offered rate (Libor), with front-end fees of 10 basis points, the bonds were quoted at 99.93.

In the Japanese domestic market China International Trust and Investment Corporation (Citic) launched a $100m "Shogun" deal. Yamaichi Securities set the terms at a 10-year life, 9⅝ per cent coupon and 100¼ issue price.

The Euroyen market has also been rising on the back of a firm domestic market. Syntex USA, a subsidiary of Syntex, the pharmaceutical and chemical company, launched a Y20bn seven-year bond with a 8⅝ per cent coupon and 101 issue price. LTCB International is lead manager. Fees totalled 1⅞ per cent and the bonds were trading just within that discount.

A dual-currency issue for Sumitomo Metal Industries was launched for Nikko Securities (Europe). This is for Y20bn with redemption at an exchange rate of Y181.5 to the dollar. The coupon is 8 per cent and issue price 101⅞ per cent. Fees totalled 2 per cent. The bonds were not trading actively.

Turnover was unexpectedly high in the D-Mark bond market, spurred by the New York market and hopes for interest rate cuts. Prices gained ¼ point on average, with buying demand seen from abroad.

The Swiss franc foreign-bond market saw reasonable volume. The undertone was positive although prices were little changed. New Zealand Railways' SFr 150m perpetual issue traded for the first time yesterday, closing at 98¾ compared with the 99½ issue price.

International bonds service, Page 17

BP to pledge $26m in deal with Ecuador

By Hugh O'Shaughnessy in London

BRITISH PETROLEUM (BP) is to invest $26m in oil exploration in a 200,000 hectare (494,000 acre) block in Ecuadorean Amazonia, according to a contract due to be signed with Cepe, the Ecuadorean state oil company, in Quito later today.

The deal highlights BP's growing interest in Latin America. BP's other principal Latin American interests include a number of promising mining ventures. However, some oil exploration projects in Brazil have been disappointing. The group also has service contracts with Petroleos de Venezuela, and is known to be looking hard at opportunities in Argentina.

The BP deal with Cepe has been delayed because of differences over possible future arbitration. Under the present contract Ecuadorean law will apply in any dispute.

BP will make a grant of $400,000 to Cepe for the specialist training of Ecuadorean personnel. The deal is the fourth that Cepe has signed with foreign oil companies, others being with Occidental and Exxon in Amazonia and Belco in the Gulf of Guayaquil.

Bull close to Olivetti link

By David Marsh in Paris

BULL, the French state-owned computer group, said yesterday that it hoped to conclude a co-operation agreement by early January with Olivetti, the Italian office-equipment and electronics company, to develop and produce automatic banking machines.

Bull gave no further details about negotiations taking place between the two concerns. Bull, through its Transpac subsidiary, already has a significant stake in the French market for cash dispensers and automatic bank tellers.

As part of France's bid to set up a nationwide banking and retail payments system using a uniformly accepted banking card, an estimated 8,700 machines of both types were installed in France in mid-1985.

Bankers believe the pace of installation is flattening out, which may be forcing Bull to look more attentively at expansion possibilities abroad.

Further receivership in Singapore

BY CHRIS SHERWELL IN SINGAPORE

A SUBSIDIARY of Growth Industrial Holdings (GIH), the publicly quoted Singapore company which holds a 31.6 per cent stake in the troubled Pan-Electric Industries, has been placed in receivership by one of its half-dozen bank creditors.

The move by First Interstate Bank of California, draws further attention to the problems facing GIH, which, like Pan-Electric, is faced with sizeable obligations to purchase shares in quoted companies on a forward basis.

It was Pan-Electric's inability to meet similar commitments to buy S$140m (US$66m) worth of shares which ultimately led its 37 creditors to place it in receivership on November 30. In an unprecedented move, the authorities then closed the Stock Exchange for three days while a S$180m rescue package was worked out for vulnerable broking firms.

Mr Peter Tham, a stockbroker now being sought by the Singapore authorities, was a director of both Pan-Electric and GIH until June this year. Associated Asian Securities, his broking firm, subsequently became 25 per cent controlled by GIH, but suspended trading after the stock market reopened on December 5.

Attention has since focused on GIH and Pan-Electric. Datuk Mohamad bin Rahmat, a Malaysian, resigned as a director of GIH after little more than three months, leaving a three-man board which included two directors of Pan-Electric.

At the same time, GIH appointed Samuel Montagu, the British merchant bank, as financial adviser and Arthur Young, the accounting firm, to prepare an independent report on the company.

Last Friday it was revealed that Arthur Young was investigating "the validity of certain arrangements to acquire shares in certain companies" and had been given full financial control of GIH. No figure has been revealed for the value of the company's forward contracts.

The move by First Interstate related to Rizmun-Marine, a GIH subsidiary which has a single vessel laid up in a Singapore dock. Other foreign bank creditors are Citibank and Standard Chartered which are also creditors of Pan-Electric, and some Malaysian banks.

All of Pan-Electric's 37 bank creditors have meanwhile accepted the terms of a rescue plan agreed last week between their steering committee, Pan-Electric's receivers, and Mr Tan Koon Swan, the Malaysian entrepreneur who indirectly holds a 22.6 per cent stake in Pan-Electric.

A report by Price Waterhouse, the receivers, is believed to show Pan-Electric's net asset value at little more than one third of the S$160m in shareholders' funds published in the annual report in June.

Standard Chartered in HK restructuring

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

STANDARD Chartered Bank is restructuring its Hong Kong operations and has decided to go ahead with plans to build a new regional headquarters in the colony.

Announcing the reorganisation of its Asia-Pacific regional operations, Mr William Brown, the bank's area general manager, said the decision reflected the additional responsibilities assumed by the Hong Kong operations for business in Japan, Korea, the Philippines, China, Macao and Taiwan.

Lord Barber, chairman of Standard Chartered, added: "The redevelopment of our building is a clear vote of confidence in Hong Kong as a major financial centre in Asia; it also lays the foundation for our projected growth in the Asia Pacific region into the next century."

The 40-storey building, in Hong Kong's Central district, will rise to 182 m and will provide 364,000 sq ft of office floor-space. The bank says that the cost of the development will not exceed HK$600m (US$76.9m), including construction and fitting out.

The new headquarters, on the site of the bank's existing building, will be just 2 m taller than the adjacent Hongkong and Shanghai Bank building, which has recently been completed at an officially stated cost of HK$5bn. Unofficial estimates, however, have put the total cost as high as HK$9bn.

During redevelopment, expected to start in mid-1986, bank staff will move into Edinburgh Tower, a nearby office building owned by Hongkong Land. On completion of the new regional headquarters in 1989, the bank will, in order to offset some of the construction costs, consider allowing investors to buy subsidiary leasehold interests in the building.

Central to the restructuring programme, effective from January 1, 1986 and designed to provide a greater degree of autonomy for regional operations of the UK-based bank, is the establishment of five divisions, each run by a senior manager reporting to a chief manager for Hong Kong.

The five divisions are retail banking, commercial banking, corporate banking, treasury and banking operations.

Mr Brown also said that a new strategy was being prepared for the bank's China operations. Earlier this month, the bank's Shenzen office was upgraded to a branch and it is also seeking the same classification for its Xiamen representative office. The bank has offices in Peking and Canton and also operates a joint-venture leasing company in China.

● Jardine Matheson's property disposal programme is continuing with the sale to a private investor, for HK$254.5m, of Broadwood Park, a 62-unit residential development in eastern Hong Kong island. Since the start of the year, the group has sold two properties in London for a combined HK$363m and also raised HK$164.5m through property sales in Hawaii.

Sumitomo Metal cuts workforce

SUMITOMO METAL Industries, a large Japanese steelmaker, said yesterday it is to cut its 27,000 workforce by 3,800 or 14 per cent under a three-year plan focussed on streamlining the steel division and an expansion of new businesses including eletronics, Kyodo reports from Osaka.

The 1986-88 plan calls for the transfer of 700 workers to new divisions and 2,000 to some 80 Sumitomo group companies. The remaining 1,100 will be shed through retirement.

Early listing for NTT

BY YOKO SHIBATA IN TOKYO

THE TOKYO Stock Exchange (TSE) is to free the way for an early listing of Nippon Telegraph and Telephone (NTT) shares following the sale of part of its equity, currently all held by the Japanese Government.

The Ministry of Finance plans to sell up to 1.95m NTT shares in the fiscal year which starts next April. The TSE has decided to adopt a flexible approach in applying the "floating stock ratio" requirement which stipulates that the proportion of shares not owned by the 10 largest shareholders must stand at 20 per cent or above at the time of listing.

If this ratio is computed on the basis of 15.6m NTT shares outstanding, a listing next year would be impossible. As a result, the TSE intends to meet the requirement by basing the calculation solely on the number of NTT shares for sale.

The Government is expected to unload part of its holding after the telecommunications company announces its first full set of annual results around May next year.

NTT, opened to competition last April, has a national issued capital of Y780bn ($3.85bn).

First Pacific to float Asian investment unit

FIRST PACIFIC, a Hong Kong-based merchant bank, is planning a public listing for a newly incorporated investment company, FP Special Assets, AP-DJ reports from Hong Kong.

FP Special Assets, which will invest in Asian property and securities is to take over the public listing of Wheelock Maritime International, a shipping company which went into liquidation earlier this year.

Shareholders of Wheelock Maritime will be entitled to shares in FP Special Assets, as will shareholders in First Pacific

INTERNATIONAL COMPANIES and FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 17.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex 10½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amex Credit 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Atlant Richfld 10¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com 11 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com 11⅛ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 11½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac 10¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac 12⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME 10¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chevron U.S.A. 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca Cola 11⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 11¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 11½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.D.F. 10 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.E.C. 9⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.E.C. 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.I.B. 12 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eli Lilly 10½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev Corp 10 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev Corp 12 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fed Dep Stores 10⅝ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred 10⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred 11⅛ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred 12 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Credit 10¼ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 10½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IADB 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IBM Credit 10⅞ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Company 10⅝ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Company 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L.T.C.B 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Trust 11⅝ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Cred Bk 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pillsbury Co. 10⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pru Realty secs 12⅛ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Qantas Airw 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 11½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Queensland Govt 10⅝ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 11⅛ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan 10⅜ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumit 10 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Wales Trsy 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed Exp Cred 10 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed Exp Cred 12⅛ 89XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kingdom 10⅛ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kingdom 11⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden Kingdom 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tenneco Corp 10⅞ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texaco Capital 10 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.75
Unilever Tech Fin 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.80
Victorian Rep 11⅜ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.59
World Bank 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.51
World Bank 12⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.82

Average price change On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 6 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.80
Austria Republic 7⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.82
Baxter Travenol 7¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.96
Copenhagen 7⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.92
Credit National 8⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00
Dow Chemical 8¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.93
E.I.B. 7¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.83
Elecsud 8 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.28
Ex-Im Bk Korea 7⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.61
Finance Dello Stato 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.03
Finland Republic 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.74
Gould Inc Fin 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.85
Ireland 8⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.31
Japan Fin Corp 6⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.61
Mitsubishi Hvy 3⅞ 90WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−11.80
Mitsubishi Hvy 3⅞ 90XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.17
Mitsubishi Met 3⅜ 90WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.44
Mitsubishi Met 3⅜ 90XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.16
Quebec Hydro 7⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.72
Renfe 7⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.20
Soc Cent Nucleaire 7⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.79
Sth African Tran 7⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.40
World Bank 7 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.77

Average price change On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.25
Brit land Comp 6⅛ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.99
Council of Europe 6 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.44
Creditanstalt 5⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.48
Deutsche Bk Fin 5⅜ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.90
E.I.B. 5⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.80
Gen Occidentale 4⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.67
Glendale Fed.S&L 5⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.75
Ind Fund Fin 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.59
Int-Am Dev Bk 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.74
N.Zealand steel 5⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.61
Oberos Kftwk 5⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.32
Olivetti Ind 5⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.34
Pepsico 5⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.95
Ralston Purina 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.12
Sanwa Finance Ltd 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.90
Tokyo Elec Pwr 5⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.25
Tokyo Metropolis 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.92
World Bk 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.30

Average price change On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat Tele 6¼ 92	25	98⅛	98⅝	0	+0¼	6.55
Gdyr Tr & Rubber 7¼ 95	25	101⅞	102⅜	+0⅛	+0¾	6.80
Mort Bk Denmark 7 92	10	100⅞	101⅜	0	+0⅛	6.77
New Brunswick 7⅛ 95	10	102½	103	+0¼	+1	6.72
Swed Exp Cred Zero 90	14	73	73½	0	0	6.73

Average price change On day +0⅛ on week +0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Aust 12⅛ 90AS	50	91⅞	92⅛	0	−0½	15.10
Creditanstalt 12⅞ 90AS	50	96	97	0	−2⅛	13.08
Pepsico Cap Res. 13 90AS	50	103⅛	104⅛	+0¼	+0⅛	11.92
Swed. Export Cred 13 88AS	40	96¾	97¾	0	0	14.20
Amex 10¾ 90 C$	50	102⅜	102⅞	+0¼	+1⅛	9.97
Canadian Pac 10⅛ 90 C$	75	100½	101	+0⅛	+0⅞	10.15
CIBC 10¾ 90 C$	75	† 100¼	100¾	0	−2	10.59
Genstar Fin 11¼ 00 C$	75	103⅝	104¼	+0⅛	+2⅛	11.02
Montreal 11½ 95 C$	75	105¾	106¼	+0⅛	+0½	10.45
Sears Acc. Co 10⅛ 92C$	75	† 95⅞	99⅞	+0⅛	+0⅞	10.68
Winnipeg City 10⅝ 90C$	50	103⅝	104⅛	+0⅛	+0½	9.51
Chrysler Fin Corp 17 90NS	65	92⅞	93⅞	−0¼	−1	19.24
K.O.P. 16¼ 01 NS	50	92¼	94¼	+0¼	+1	18.28
Kredietbank Lux 17 88 NS	70	99½	100½	0	−0½	16.90
Bayer Vereins 8⅛ 88ECU	60	100¾	101½	+0⅛	+0½	7.92
Chrysler Fin Corp 0 92ECU	75	97⅞	98½	+0⅛	+0⅜	9.37
Xerox Canada 8½ 90 ECU	40	98¾	99½	+0½	+0⅜	8.72
Honda Motor WW 3¼ 90FL	100	105⅞	106⅜	−0⅛	+2⅞	2.34
Honda Motor XW 3¼ 90FL	100	90½	91	0	+1⅜	6.42
Thyssen 7¼ 00 FL	50	103⅞	104⅞	+0⅛	+0½	6.20
Wereldhave 7½ 90 FL	75	102⅜	102⅞	+0⅜	+0⅜	6.80
Wessanen 6¾ 90 FL	50	100⅝	101⅛	+0½	+0⅛	6.52
Mobil Corp 11⅛ 90 FF	500	102¼	102¾	+0⅛	+0¼	10.41
Australia Comm 11 92 £	40	98¼	98¾	0	−0⅛	12.32
E.I.B. 11¼ 93 £	50	98¾	99¼	0	+0⅜	11.31
GMAC UK Fin 10½ 00 £	30	97¼	97¾	+0⅛	−0¼	11.10
Imp Chem Inds 11⅛ 95 £	75	98¾	99¼	0	−0⅛	11.41
Imp Chem Inds 10¾ 92 £	75	96½	97	0	−0⅛	11.44
Mcdonalds 10¾ 90 £	40	99⅛	99⅝	0	−0⅜	11.03
Mitsubishi Fin HK 11 00 £	50	98⅝	99⅛	0	+0⅛	11.29
NSW Treasury 10⅛ 92 £	50	96	96½	0	+0⅛	11.43
Privatbanken 11¼ 92 £	20	100	100½	0	+0½	11.78
Rank Xerox 11 92 £	40	97	97½	0	+0⅛	11.61
Royal Ind 10¾ 92 £	60	96	96½	0	−0⅛	11.56
Ster Drug Cap 10¾ 90 £	30	99	99½	0	+0⅛	11.07
Tricentrol XW 11 92 £	35	93½	94	0	+0⅜	12.42
Tsthouse Forte 11⅛ 90£	50	98⅜	98⅞	0	−0⅛	11.50
World Bank 11¼ 95 £	100	99½	100	0	−0⅛	11.27
C.O.E. 8¾ 95 LF	600	100½	101½	−1	+2	8.71
Nat Lux Alum 10½ 92 LF	600	102¾	102¾	+0⅛	+0⅛	9.80

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey National 5 2000 £	0	99⅞	99⅝	15/1	11⅜	11.43
BankAmerica O/S 5¼ 96	0⅛	99¾	100	30/12	8⅛	8.14
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.44	8.44
B.F.C.E. 5¼ 98	0¼	100⅜	100⅝	13/12	8⅜	8.33
B.N.P. 5¼ 95	0	101¼	101½	10/1	8.69	8.57
B.N.P. 5¼ 96 (July)	0¼	100	100¼	22/1	8¼	8.24
B.N.P. 5¼ 99	0⅛	100⅛	100⅜	22/2	8⅜	8.35
Britannia 5 93	0⅛	99¾	100	8/1	11½	11.51
C.C.F. 5¼ 97	0	99½	99¾	5/6	8.00	8.09
Chase Man In 5⅛ 2009	0⅛	99⅞	100⅛	5/12	8.44	8.44
Citicorp 5 2035	0	99¼	99½	27/1	8.23	8.38
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/4	8½	8.44
Credit Lyonnais 5 00	0	100⅛	100⅜	10/1	7.94	7.92
E.E.C. 5 90	0	99½	99⅞	8/1	7.94	7.95
E.N.E.L. 5 20	0⅛	100	100¼	1/3	8⅛	8.36
Ireland 5¼ 97	0	99⅞	100⅛	28/2	8.44	8.44
Lloyds Bank Perp	0¼	100⅛	100⅜	9/12	0	7.98
Man-Hanover 5 97	0	99½	99⅝	22/2	8.10	8.25
Midland Bank Perp 5	0⅛	100⅛	100⅜	18/12	8⅛	8.10
Nat West Perp A 5¼ S	0¼	100⅛	100⅜	9/1	8¼	8.23
Nat West Perp B 5¼ S	0½	100⅛	100⅜	10/2	8⅝	8.60
Royal Bk Scotland 5 Perp	0⅛	† 99⅞	100⅞	11/6	8.44	8.41
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	4/2	11¾	11.84
Societe Generale 5¼ 97	0	100¼	100½	10/3	8⅝	8.59
United Kingdom 5 92	0	100	100⅛	7/7	8.06	6.93

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1063.64	128	129	+0⅝	5.91
Comitaz 7 2000	12/85	23.875	† 109	110	−1	6.14
Fanuc 3½ 98	1/84	7032.3	202⅝	204⅛	−0½	61.00
Fuji Hvy Inds 3 2000	8/85	676	94⅝	95⅝	−0¼	1.01
Fujitsu 3 99	5/84	1320.9	102⅛	109⅛	−1⅜	10.51
Kumagai Gumi 3¼ 2000	3/85	600	179⅝	180⅞	+3¾	11.49
Marui 3½ 99	7/84	1062	150⅞	151⅞	−0⅜	−2.77
Mitsubishi Bank 2⅝ 00	6/85	1768	99	100¼	−0⅜	−1.37
Mitsubishi Elec 2⅞ 00	3/85	422	103⅛	104⅞	−0½	−2.60
Murata 2½ 2000	7/84	2398	130	131¼	−1¾	10.79
Nippon Elec 2⅛ 2000	1/85	1205	125	126	−0¾	64.82
Nippon Oil Co 3 2000	5/85	973	100¾	100¾	−0½	−1.20
Oki Elec Ind 3¼ 99	10/84	805	103½	104¾	−1⅛	−2.53
Sekisui House 3 99	6/84	612	157¾	159¼	+0¾	1.03
Sumitomo Bank 2⅛ 2000	8/85	2142	95⅞	97⅞	−1⅛	0.60
Sumitomo Corp 2¾ 90	5/84	593	139⅝	140⅞	−0⅛	0.51
Taiyo Yuden 3½ 2000	3/85	1078	† 112	114	+1	−2.33
Takeda Riken 3½ 2000	10/84	7663	† 100	108	−0½	8.51
Tokyo Sanyo Elec 3⅛ 99	12/84	772	100⅞	102	−0½	1.28
Toshiba Ceramics 3 2000	4/85	1734.2	100	101¼	−0½	4.38
Nippon Oil Co 2¾ 92 SF	3/84	1052	† 102½	102½	+2⅞	19.88
Nippon Shinpan Co 2 90 SF	3/84	601	† 113	113½	+0⅛	12.43
Asics 5 92 DM	12/83	659	108	109	−0½	16.06
Renown 3⅛ 90 DM	3/85	615	104¼	100¼	+0¾	−4.23
Sum Realty 6⅛ 92 DM	2/83	339	† 412½	413½	+10⅛	−0.17

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month: § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Texas Air renews offer for TWA

BY OUR NEW YORK STAFF

TEXAS AIR, the low-cost US carrier, has renewed its takeover offer for TWA in a move which will put pressure on the investor group led by Mr Carl Icahn, who is struggling to mount the finance to complete his merger agreement with the transatlantic airline.

According to TWA, Texas Air says it would be willing to enter into a merger transaction at a price of $22 a share in cash and make a cash tender offer for 51 per cent of the shares as soon as a merger agreement was completed.

Texas Air added that it would be willing to enter into negotiations with TWA's labour unions, seeking cost savings for TWA comparable to those agreed by Mr Icahn. It would also accept stock and profit-sharing arrangements for the union along the lines of the concessions achieved by the Icahn group.

TWA confirmed last week that it was discussing with Mr Icahn a possible amendment to the merger agreement originally signed almost three months ago. Because of difficulties in raising the necessary finance, Mr Icahn is believed to be trying to reduce the cash element in his $24 a share offer for TWA from $19.50 to about $14 to $15 a share. The rest of the offer will be in convertible preferred stock.

Earlier this year Mr Icahn topped a bid from Texas Air for TWA. Texas Air, run by Mr Frank Lorenzo, has since bid unsuccessfully for Continental Airlines. It was outbid by People Express.

Massey plans major restructuring

BY BERNARD SIMON IN TORONTO

MASSEY FERGUSON, the ailing Canadian farm equipment and industrial machinery manufacturer, plans to recapitalise its loss-making North American combine harvester and foundries division as a privately held company. The sweeping reorganisation aims to strengthen the company's financial position.

The group disclosed some details of the planned restructuring at the same time as an announcement of increased net earnings of $8.1m, equal to 1 cent a share, in the three months to October 31, from $4.4m, equal to a loss of 2 cents a share, in the same period last year. Third-quarter sales rose from $359m to $380m.

Mr Victor Rice, chairman, said the company planned special shareholders' meetings early next year to approve the restructuring. He said that most major lenders, as well as the Canadian and Ontario governments, had agreed to key elements of the plan. The two governments and Britain's Export Credits Guarantee Department are preferred shareholders in Massey as a result of earlier refinancings.

The combine harvester division has been a big drain on Massey, losing $35m in the nine months to October 31.

Under the restructuring plan the combines division will be turned into a private company in which Massey will own a minority interest of 40 per cent, with the balance held by the company's creditors and other unidentified parties.

UK WHITE PAPER ON BANKING SUPERVISION

Changes needed to maintain confidence in system

EFFECTIVE SUPERVISION is essential to maintaining confidence in the banking system, Mr Nigel Lawson, the Chancellor of the Exchequer, says in his foreword to the White Paper.

But while last year's rescue of Johnson Matthey Bankers has pointed up the need for improvements, "the rapidly-developing nature of banks and the banking system makes it all the more important to address these weaknesses speedily and effectively, without at the same time hobbling British banks with excessive regulation."

The White Paper proposes both legislative and non-legislative changes to reinforce steps already taken by the Bank of England. It has also been framed as part of broader interlocking proposals for building societies and financial services. "It is essential that, taken together, the new arrangements provide effective supervision, capable of dealing with the whole of the rapidly changing financial services sector, and with every individual group and company within it."

The measures will also help combat "the cancer" of financial fraud, Mr Lawson says.

The background. Rapid changes in financial markets are prompting major reviews of banking practices in many countries. But while the primary role of the banking supervisor is to minimise the risk of loss for depositors, the Government is keen to avoid creating a heavily and precisely regulated system. The proposals take into account the recommendations of the Review Committee set up under Mr Robin Leigh-Pemberton, the Bank of England Governor, after the Johnson Matthey affair. The Government aims to bring in a Banking Bill to reform the 1979 Banking Act as soon as possible.

Board of Banking Supervision. The White Paper's main recommendation is the creation of a board within the Bank to help the Governor with his banking supervisory duties.

Members of the board will be appointed by the Governor, with the agreement of the Chancellor. Membership will consist of the Governor and Deputy Governor and the executive director of the Bank responsible for banking supervision, as permanent ex officio members, together with five other members selected from outside the Bank on the basis of relevant skills and experience. It is envisaged that membership will include senior bankers, either recently retired or having no executive responsibilities in the private sector, and members with legal and accountancy qualifications. Members will serve for a fixed term, and will be remunerated by the Bank.

The annual report to the Chancellor, which is made by the Bank under Section 4 of the Banking Act and laid before Parliament, will include a separate section by the Board giving an account of their work over the previous year and expressing their views on current issues within the field of banking supervision.

The areas on which the board will provide advice to the Governor are the following:

● **Broad issues involving the supervision of institutions authorised under the new banking supervisory legislation.**

This will include reviewing papers prepared by the Banking Supervision Division on developments concerning the main principles of banking supervision, such as banks' capital adequacy and liquidity.

● **The development and evolution of supervisory practice.** Much of the work of the supervisors consists of translating the principles of banking supervision into practical rulings. Flexibility of treatment to take account of individual institutions' circumstances has to be reconciled with even-handedness and "level playing fields." The board will receive periodic reports from the Banking Supervision Division of the Bank on developments in its rulings and decisions affecting individual institutions.

● **The administration of the new banking supervisory legislation.**

The board will review regular reports from the Banking Supervision Division describing the way in which it is administering the new act and referring to its treatment of individual cases.

● **The structure, staffing and training of the Banking Supervision Division.**

Progress on the proposed changes in the current numbers and training of supervisory staff will be reported, from time to time, to the board for their views. The board will offer guidance, inter alia, on the programme of secondments from outside organisations.

If on any occasion he disagreed with the views of the board's outside members, the Governor would still have the power to disregard their advice. But if he were to do so, he would have to inform the Chancellor.

Other changes at the Bank include establishing a standing committee on banking supervision, and the appointment of an executive director with specific responsibility for banking supervision. The supervision department has also been streamlined and enlarged.

The Two Tier System. The distinction between recognised banks and licensed deposit-takers created by the 1979 Banking Act is to be abolished, and replaced by single authorisation criteria.

The Banking Act requires that "the business (of a recognised bank) will be carried on with integrity and prudence and with those professional skills which are consistent with the range and scale of (its) activities." Licensed deposit-takers must conduct their business prudently, and be owned, directed and managed by fit and proper persons. The Government accepts the Review Committee's recommendation that the sense of both these requirements be combined in the new legislation and applied to all institutions.

Two of the additional requirements presently required for recognised banks will be dropped from the unified authorisation criteria. There would be no point in requiring all authorised institutions to provide a wide range of banking services. And to insist on high reputation and standing in the financial community would have the effect of debarring new deposit-taking companies from authorisation.

It will continue to be a requirement for authorisation that at least two individuals effectively direct the business of authorised institutions.

Licensed deposit-takers are currently required specifically to have adequate capital and liquidity for their operations and adequate provisions for bad debts. Recognised banks must also observe these criteria, though the criteria are spelt out in the statute less explicitly. In the new Act, these requirements will be modelled on those presently applicable to licensed deposit-takers. It will also provide that institutions, both large and small, must have adequate internal control systems and adequate accounting records.

Institutions will need minimum net assets of £1m to operate as a bank, and issued capital of £5m if they want to include the word "bank" in their name. Loans to directors on beneficial terms will be limited to £50,000.

Relationship between supervisors and auditors. Auditors will be required to play a greater role in supervision. The Government now proposes to introduce the following arrangements:

Nigel Lawson: combat cancer of fraud

● The new legislation will require that authorised institutions should maintain appropriate books and records and internal control systems, and that (regular and ad hoc) reports by accountants to the supervisors on the adequacy of such control systems and on other matters specified by the Bank should be made. The Bank will be empowered to require that banks obtain reports from accountants on their internal controls and other matters which the auditor can properly be expected to address; and that prudential statistical returns to the supervisors be examined periodically by external, qualified accountants. For UK registered banks, the accountants concerned will normally be the bank's auditors. In the case of branches of foreign banks, which are not required to have auditors under the Companies Act, other arrangements will have to be made.

● The Bank will be empowered to require supervised institutions to appoint a second firm of accountants to carry out the work which would normally be undertaken by the accountant described above, if for any reason it is not satisfied with the work already carried out.

● Statutory provision will be made to require an auditor to notify the Bank if he decides to resign or not to seek re-election, or concludes that he should qualify his report on the bank's accounts; and to require a bank to notify the supervisors if it proposes to terminate the appointment of its auditor;

● Existing confidentiality restraints on both supervisors and auditors will be removed to the extent necessary to facilitate these arrangements;

● Qualified privilege should attach to communications between auditors and supervisors.

The Government is keen not to undermine the relationship between a bank and its auditors but it wants to provide in exceptional cases—such as suspected fraud—for direct contacts between auditors and supervisors without the knowledge of the supervised institution. Though it is prepared to legislate for this, it supports the Bank's efforts to agree non-statutory guidelines instead. These are set out in an annexe laying out the duties and responsibilities for auditors to disclose information to supervisors.

Bilateral exchanges between the supervisors and the auditor: In exceptional circumstances the auditor may consider it necessary to hold a meeting with the supervisors or to provide information to the supervisors without the knowledge of his client.

In all cases, before initiating a bilateral exchange with the supervisors, the auditor should consider whether there is a non-executive director or senior manager, or a controlling shareholder, who could appropriately attend the meeting and, if so, he should advise both the director or other party and the supervisors.

Bilateral meetings/exchanges will take place only when to make the client aware of the meeting/exchange (and of the likely subject matter) could be expected to damage the interest of depositors.

Examples of such exceptional circumstances would be: (a) where the auditor had reason to believe that fraud or other misappropriation had been or was about to be committed by the directors of the client bank; (b) where the auditor believed that an individual controller was acting, or likely to act, in an irresponsible or reckless manner with respect to the bank's affairs.

Prudential information and statistics: The Government believes that the prompt and accurate reporting of prudential information and statistics is of central importance to the effectiveness of banking supervision.

They are confident that most institutions will continue to fulfil their duties conscientiously. But, to reinforce the Bank's existing powers to deal with less scrupulous institutions, they have decided to make it a criminal offence knowingly or recklessly to provide information to the supervisor which is false or misleading in a material particular. This would apply equally to information provided under a statutory requirement and to information provided voluntarily for the purposes of banking supervision.

Concentration of lending and large exposures: The Government believes that the issue of individual exposures to non-bank customers is of sufficient importance to justify statutory backing. It therefore proposes that the new legislation provide for rules requiring automatic notification of any exposure to an individual customer in excess of 10 per cent of a bank's capital base. Exposures in excess of 25 per cent of capital base will require prior notification to the supervisors.

Failure to comply with the requirements will cast doubt on the prudence of a bank's management and on the adequacy of its control systems; and serious breaches could lead to revocation of its authorisation to accept deposits.

Confidentiality and disclosure of information: The Banking Act's restrictions on disclosure by the Bank of England of information obtained in the course of supervision need to be amended. This is to enable the dialogue between supervisors and auditors and to enable the Bank to disclose information to other departments of Government except the revenue department — where it considers it to be in the interests of depositors or in the wider public interest. It is also to facilitate an exchange of information between supervisory authorities, given the growth of financial conglomerates.

Overseas banks: Regulations covering representative offices of foreign banks are to be strengthened. The Government is also concerned about reciprocal access for UK institutions to countries whose institutions establish themselves in the UK, and the Treasury will have power to cancel banking authorisations to eliminate imbalances in commercial opportunity. Further powers in this area will be contained in the forthcoming Financial Services Bill.

Appeals: Decisions on appeals against the Bank's rulings will be taken by a tribunal rather than—as now—by the Chancellor. The White Paper also makes proposals affecting procedures for changes in control of banks, reinforcing the deposit protection scheme and several other minor matters.

Banking Supervision. Command 9695. HMSO £4.30.

Supervisory regime likely to be sterner than foreshadowed

David Lascelles on the Chancellor's plan to give tougher powers to the Bank of England

THE BANKING Supervision White Paper comes at an exceptionally turbulent time for UK banking, what with Johnson Matthey Bankers, Big Bang and the allegations of fraud flying around the City.

So it is not surprising that Mr Nigel Lawson, the Chancellor, wants to legislate tougher powers for the Bank of England and tighten the Governor's accountability to him personally.

Altogether, it points to a somewhat sterner supervisory regime than had been foreshadowed in the Bank's own consultative papers earlier this year.

On the other hand, the proposals fall short of creating the all-embracing regulatory regimes adopted by many countries; they aim to preserve the flexibility of the UK system, which is seen as its great strength. The debate over the proposals is bound to centre on where the balance between toughness and flexibility should be struck.

The White Paper should be read in a broad context. Although the whole review of UK banking supervision was triggered by the Johnson Matthey debacle, there was also a case for re-examining the 1979 Banking Act in light of the enormous changes which have occurred in the banking industry in only six years and which are likely to continue as the City Revolution gathers pace and banks take on a new look.

There is also an international dimension. The Bank is taking a leading role in trying to harmonise standards, particularly within the EEC. The White Paper also takes a swipe at countries which do not allow reciprocal access for UK banks—an obvious reference to Japan where the banking market is notoriously restrictive.

The broad aim of the White Paper is twofold: to boost the Bank's supervisory role with fresh statutory powers, many of which it would hope not to have to use except in extremis; and to enable it to co-operate with other supervisors to keep tabs on the new multi-faceted banking-securities conglomerates being formed.

The banking bill will be designed to dovetail with tomorrow's Financial Services Bill covering the investment industry and new legislation proposed for the building societies.

The steel in the White Paper lies in the criminal sanctions being proposed for bankers who lie to or mislead the Bank of England — all part of the Government's promised crackdown on fraud. The Bank will also get new powers to obtain information from banks, especially about their big exposures, and additional resources to inspect them more closely.

Bank auditors will be drawn into the supervisory process as auxiliaries. The Government has decided not to impose a statutory obligation on them to tell the Bank of serious wrongdoing. But Mr Lawson made it clear yesterday that legislation would be forthcoming if the auditors and the banks fail to agree on guidelines for reporting fraud or recklessness. Given this threat, agreement seems likely.

While the Bank will get new weapons for its armoury, its enlarged powers will not go entirely unchecked. The big surprise—the creation of a Board of Banking Supervision—looks like a Treasury attempt to subject the Bank itself to a measure of supervision. It certainly makes the Governor more accountable and must be designed to appease the many critics of the Bank's policing of the City.

The White Paper received a broad welcome from bankers and accountants last night suggesting that the Treasury has found a middle road on the most contentious issues, mainly the role of auditors and the new definition of a bank—bankers feared it would debase the word. Whether it would have prevented another Johnson Matthey is another matter.

If the act had been in force last year JMB's executive would have run a severe risk of criminal proceedings for giving misleading reports to the Bank and breaching the new limits on large loans to individual borrowers.

With luck the Bank's enlarged staff might also have been quicker to spot trouble. But, as the White Paper says: "The supervisor cannot, and should not, guarantee that banks never fail."

TECHNOLOGY

EDITED BY ALAN CANE

Peter Marsh on efforts to produce more powerful integrated circuits

UK is etching towards chip of tomorrow

A GROUP of UK electronics concerns is borrowing the latest ideas from plasma physics to devise machines that will turn out the next generation of microchips.

The organisations are led by Plasma Technology, a small company in Wrington, near Bristol. They are attempting to solve a key problem that threatens to hold up the race by the world's electronics industry towards making integrated circuits in which the distance between adjacent circuit elements is less than 1 micron.

The research involves plasma etching, scything away microscopic slivers of material to open up gaps in the thin layers of semiconductor from which integrated circuits are made. A plasma is an array of highly reactive ions in gaseous form.

In the work, the British team is using a range of techniques to increase the activity of the plasma to cut holes more selectively and faster.

Working with Plasma Technology in the £1.3m programme, which is backed by the Government's Alvey project in advanced electronics, are research groups at GEC, Plessey, Ferranti and Southampton University.

The work is concerned with a relatively new form of plasma research called reactive-ion etching. This produces cleaner cuts in the semiconductor layers than the older technique.

The drawback is its slowness. As a result, it is used mainly as a research tool rather than in full-scale semiconductor production.

By speeding the procedure, the UK researchers think reactive-ion etching could supercede conventional plasma etching in the chip factories of the late 1980s.

Mr David Carr, joint managing director of Plasma Technology, says that if the project succeeds the UK could gain a technical lead in the plasma-etching industry. The latter is dominated by US concerns such as Applied Materials, Tegal and Plasma-therm.

World sales for plasma hardware for semiconductor industry are £400m a year

World sales for Plasma hardware for the semiconductor industry are put at £400m a year. The figure covers both plasma etching and the related activity of plasma deposition, in which, instead of cutting away holes, the machines build up layers by "growing" atoms on to a surface.

Plasma machines cost anywhere between £50,000 and £500,000.

In plasma etching, streams of ions from a gas such as carbon tetrachloride react selectively with segments of the semiconductor layers to produce a series of neatly cut holes. The layers themselves are made from materials such as silicon dioxide or silicon nitride.

The segments to be cut away are defined by an earlier process in which a film of a tough chemical called a photoresist is deposited in specific places on top of the layer. As a result, those segments not protected by the resist are susceptible to action by the plasma.

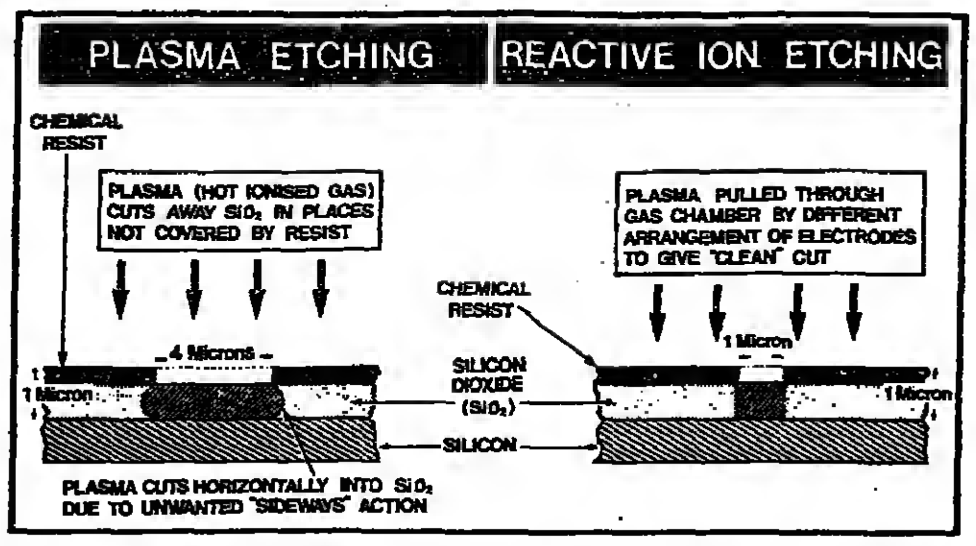
Plasma etching has surpassed expectations of most electronics engineers

The gaps in the material are later filled in with conducting substances such as metals to channel electricity between different layers. The latter are built up on top of each other in a sandwich arrangement to form the complete microchip.

Plasma etching has surpassed the expectations of most electronics engineers since it was introduced in the mid-1970s. With the process, technicians can produce, in a layer of material 1 micron thick, holes that have a cross section of 1-2 microns.

The diameter of these holes corresponds roughly with the distances between adjacent circuit elements on the chip. The most modern devices can contain up to 1m transistors packed onto a slice of material half a centimetre square.

In most chip companies, the plasma process has taken over from the older procedure of "wet" etching, where liquids do the work of cutting away material. Wet etching has been discarded because it cannot form holes with the fine precision required in today's integrated circuits.



Research attempts to give a cleaner cut

THE BRITISH work attempts to overcome a well-known problem in plasma etching that is holding up the drive to make chips in which circuit elements are crammed closer together.

In plasma etching, the ions not only cut downwards to make the hole but also reach sideways. This second action enlarges the hole beyond what it required, upsetting the chip's horizontal geometry.

For holes with diameters more than about 1 micron, the sideways action is unimportant. The extra material cut away is insignificant compared with the relatively large size of the hole.

Below 1 micron, the problem magnifies. Unless the semiconductor engineer is careful, the horizontal etching is of the same order as the hole itself.

Semiconductor workers have tried to address the difficulty by turning to reactive-ion techniques, a form of plasma etching in which the ions act in a highly directional way.

In this, engineers adapt the layout of the electrodes that produce the electric field to form the plasma. They also switch the current on and off very fast, of the order of thousands of times a second instead of the hundreds of times a second used in ordinary plasma etching.

The net effect is to build up a layer of charge on the semiconductor material that pulls ions through the plasma chamber so they cut downwards, and stops the sideways movement.

The drawback, however, is that reactive-ion etching involves extremely low gas pressure of about 20 millibars, compared to up to 20 times this figure for conventional plasma etching. (One millibar is equivalent to one thousandth of the pressure of the atmosphere at sea level).

As a result of the low pressure, reactive ion etching works only slowly. A conventional plasma etching machine (which cuts away holes from perhaps 10 wafers of semiconductor material at a time) does its job in five mins. Reactive-ion hardware, in contrast, takes 10 times as long. Up to now it has been used only as a research tool.

In a new generation of machines under development at Plasma Technology's laboratories near Bristol, engineers are boosting the number of ions by three techniques:

● Radiating microwaves at the gas in the plasma chamber: this strips away electrons from molecules to increase the rate of ion formation.

● Confining the plasma in a magnetic field: this stops ions from bumping into the walls of the chamber, picking up electrons and becoming converted back to uncharged molecules.

● Using high levels of electrical power in the oscillating current: the researchers are experimenting with pulses of about 25 kW which are switched on for very short periods of one thousandth of a second. This procedure, which replaces the steady discharge of current in conventional plasma machines, injects extra energy into the gas over very short times to aid plasma formation.

The rise and rise of Plasma Technology

PLASMA TECHNOLOGY has had a mercurial rise since it started business four years ago as a "spin-off" of Electrotech, another semiconductor-equipment concern in the Bristol area.

Mr David Carr and Mr John Ball, both ex-employees of Electrotech, obtained a £50,000 overdraft to start the company. Its first premises comprised a garage in Banwell, a village near Bristol.

The company, which employs 60 people, had annual sales of £3.2m in the year ending in October. A substantial proportion of the figure represents profit, says Mr Carr, who predicted that annual sales should rise to £6m in 1985-86. He and Mr Ball are joint managing directors of the concern owning half the shares each.

A third of Plasma Technology's staff work in research and development. The founders realised early on they had to fight hard to compete with the big US and Japanese companies that dominate the world's semiconductor-equipment business, which is worth about £2bn a year.

The route chosen, says Mr Carr, was to try to spot openings in the market that the larger companies had overlooked.

This policy has manifested itself in several ways:

● Emphasis on research: the drive into reactive-ion etching, a technology that has yet to take root in the mainstream plasma business, is one example of this innovative approach. Plasma Technology is involved in three other collaborative projects under the Alvey programme, all of them geared to improving on current techniques to use plasmas in either etching or deposition in semiconductor processing.

● Development of new product "niches": Plasma Technology's first products were small machines to turn out low quantities of chips, customised for laboratories. The devices cost £10,000 and process 10 semiconductor wafers an hour.

The hardware plugged a gap in the market. In the early 1980s, few plasma machines could be bought for anything less than about £50,000. They would normally produce 30-50 wafers an hour.

Plasma Technology surprised itself with the success of the machines. It sold 200 in three years, virtually all to European semiconductor companies.

● Move to novel forms of semiconductor processing: for future products, Plasma Technology plans to emphasise not just research hardware but machines geared to turning out production quantities of semiconductors.

It aims, however, to concentrate on plasma techniques needed not for processing silicon (which dominates the world's £18bn-a-year semiconductor business) but novel types of semiconductor, gallium arsenide and electro-optical devices for instance.

Mr Carr said: "The long-term pay-offs could be considerable. We have uncovered a whole range of applications not addressed by the better established semiconductor-equipment companies, which have found they can make enough money concentrating on orthodox devices."

● Joint ventures: the company has established a collaborative programme with Edwards High Vacuum (a division of BOC) to make plasma machines for turning out solar cells based on amorphous silicon. The latter is a relatively disordered form of the element which promises great growth potential, not only in photovoltaics but in new forms of silicon switching devices.

Plasma Technology is also trying to make headway in selling products to the US through a joint venture with Microscience of Boston.

In its policies, Plasma Technology is emulating to a large degree the attitudes of Electrotech, the company from which it evolved. Electrotech was started in 1968 by five engineers from STL, the research arm of the telecommunications company STC and home of many of the initial scientific studies in the principles of plasma etching.

Electrotech, based about 18 miles away from Plasma Technology in Littleton-upon-Severn with annual sales of about £25m, is "basically engineering-driven," says Mr Frank Keeble, the technical director and one of the founders.

'Intelligent' robot plan by Eureka partners

A SET of "intelligent" mobile robots for applications such as fire-fighting could be among the first tangible products to emerge from Western Europe's Eureka programme.

Dornier of West Germany, Matra of France, Casa of Spain and Switzerland's SCEM are proposing a joint project to develop such robots. The machines would incorporate TV cameras and sophisticated computers to analyse what is going on around them.

Other jobs could include rescuing people from disasters such as earthquakes and act as unmanned vehicles to carry objects across rough countryside.

Dornier says it has presented an application for funds to the West German research and technology ministry. West Germany is among 18 European countries co-ordinating the Eureka project. So far the nations have agreed 10 projects involving collaborative ventures from different countries.

Dornier, an aerospace company owned by Daimler Benz, has proposed three other ideas for Eureka projects.

These include plans to develop machines for non-destructive testing that fire neutrons into materials, and to produce free-electron lasers. These are relatively new optical devices the output of which can be "tuned" across a range of frequencies in the visible and infrared spectrum and which have a range of industrial applications.

The final proposal, made jointly with Aeritalia the Italian aerospace company, is to develop a new type of flying boat.

UK COMPANY NEWS

J. Rothschild net asset value shows small rise

Mr Jacob Rothschild, chairman of J. Rothschild Holdings

J. Rothschild Holdings reported pre-tax profits of £27.6m for the six months to the end of September 1985, compared with £30m for the six months to the end of June 1984.

Earnings per share for this investment holding company, came out at 4.5p (5p) and based on profit for the financial period were 7p (14.8p). The interim payment is being raised from 1.5p to 2.2p.

Net assets at the end of the period are stated at 126.7p compared with 125.2p six months earlier. The directors estimate that they had risen to 133.3p at November 30, taking quoted investments at current market values.

At the operating level £28.2m (£25.4m) was contributed by the parent company and its subsidiaries, with a further £13.2m (£10.3m) from related and associate companies. In the comparable period £4.1m was made by the merchant bank, which has since been sold.

An analysis by activity showed investment dealing made £12m on capital employed of £287.3m. The profit was stated after charging unrealised losses of £10m.

Unrealised profits improved from £38m at the beginning of the period to £43m at September 30.

Other activities reported investment holding profits of £14.6m on capital of £382m; investment banking £4.2m on £41.4m; development capital—US £11m on £49.9m; financial services £1.3m on £26.4m.

In the period the company bought in 47.7m of its own shares for a total of £47.1m. A total of 51.6m shares have been acquired to date, representing 11.8 per cent of the issued share caiptal at February 1 1985. The directors point out that under the Stock Exchange rules the company can buy a further 14m shares before February 1 1986.

Conditional agreement has been reached to sell Aurit Services, the lease broking concern, to Comcap. The total consideration will be about £5.7m, of which £2.2m will be in cash and the rest in Comcap shares.

Central interest payable took £13.8m, against £9.8m in the comparable period.

The tax charge was £8.2m (£9.6m) and with minorities taking a reduced £300,000 (£1.1m), the net profit was almost unchanged at £19.1m against £19.3m.

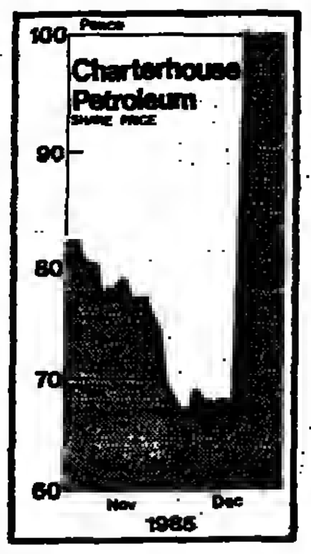
Realised gains on the investment holding portfolio added a further £9m (£28.7m) and there were net extraordinary profits of £1.8m (£9.6m). That was made up of net profits on sales of subsidiaries and related companies £2.7m (£5.8m), and the share of related companies' extraordinary items £200,000, less tax.

With dividends absorbing £8.6m (£6.5m), the retained profit for the period came out at £21.3m against the comparable £51.1m.

See Lex

Dominic Lawson on the £145m takeover which took the City by surprise

Charterhouse bows to the inevitable



Mr Tony Craven Walker, Charterhouse's chief executive

IN ITS ten-year bistory Charterhouse Petroleum has continually surprised the City with innovative deals. But none of its coups have caused as much amazement as its latest—to negotiate and recommend a £145m takeover by Petrofina, Belgium's largest industrial company and the world's fourteenth largest oil company.

On Monday, Charterhouse shares had closed at a new low of 66p, as the City showed its growing disenchantment with the UK's independent oil sector. At 5.30 pm Petrofina approached Charterhouse with a bid worth 107p a share. By midnight Charterhouse was ready to recommend the offer.

The bowls of anguish by some stockbrokers yesterday brought scant sympathy from Charterhouse chief executive Mr Tony Craven Walker: "They didn't expect this bid, and they got caught short. That is why some of them don't like it." One firm of stockbrokers sold 1m Charterhouse shares at 65p each on Monday.

In fact a takeover of, or merger with, Charterhouse was almost a certainty since August with only the identity of the suitor an unknown.

Last July Charterhouse revealed a daring plan for a £188m merger with fellow UK oil explorer Saxon Oil. It was Charterhouse's chosen method of creating a company with the assets and resources to grow even when the chill wind blowing through the oil industry would cause less well-backed companies to wither.

But on August 13 Enterprise Oil, rich with cash stuffed into its balance sheet by the Government's privatisation team, made a cash counter bid for Saxon which was irresistable to any City institutions looking for an oppotunity to reduce its holdings in the oil sector.

"The UK's independent oil companies need long-term support to grow, and the institutions are no longer willing to take more than a three-month view. What has happened to us today has ben inevitable since August 13," says Tony Craven-Walker.

Petrofina was one of several companies which noted the distress flares emanating from Charterhouse after the Saxon fiasco, and while the bid has been speedily approved, it follows months of discussions with the chief of Petrofina's UK subsidiary, Mr Pierre Jungels.

To be taken out at £145m looks like a fine return for the long-term holders of Charterhouse, which was started by Mr Craven Walker with a sliver of equity in the Thistle oil field worth no more than £300,000 in 1975.

But to be swallowed up by a multinational oil giant also represents failure for a man who left a dazzling career at British Petroleum at the age of 32 because he did not want to be a cog in a large machine.

To see the end of such a dream obviously hurt Tony Craven Walker, though he would not admit it. "I spent the last ten years of my life building this company, but emotion and business should never go together, and this is a hard-headed business decision. We formed a view that the oil market is going to get a hell of a lot worse, and we are doing the best things by our shareholders, who will probably steamroller us in the rush to take the money."

Tomorrow Tony Craven Walker was due to be elected chairman of Brindex, the association representing all the UK independent oil companies. But as he conceded yesterday "I don't think I can take the job as a subsidiary of a giant Belgian oil company."

In any case, he has views that are anathema to many of his colleagues in the sector. "I think the UK independent oil sector will have been decimated in a year's time. The major companies with cash are waiting to spring. The deal with Petrofina will precipitate other moves of this kind."

That thought will certainly exercise the Department of Energy, which has a deep dislike of letting UK owned North Sea assets pass into foreign control. Petrofina is the first major foreign oil company to launch a takeover of a UK quoted North Sea company, and clear approval from Government would obviously mark a precedent for other foreign oil giants.

However, there are several points in Petrofina's favour, which make it appear unlikely that the Government will create trouble over the deal. It is from Belgium, a member of the EEC, which plays host to 600 UK companies. It has been active in the UK since 1920, and the parent company has two directors nominated by IC Gas, a UK quoted company with a 7 per cent stake in Petrofina. If the Department of Energy does give the all clear to Petrofina it is likely that they would accompany the decision with discreet messages to other multinational oil companies not to think that they have carte blanche to move in on the UK oil sector.

The more effective predators for the depleted band of independent North Sea oil companies are Enterprise, Britoil and—coming next—British Gas. All these companies have, or will have, golden shares, given by Government to prevent their being taken over. All have extensive cash resources to cut a swathe through the rest of the UK independent oil sector—if they want to.

This prospect was clearly a factor in Mr Craven Walker's decision to take Charterhouse out of what he sees as an unequal contest. "If it weren't for the golden share, Enterprise would now be a subsidiary of another company, and we would have merged with Saxon, instead of being taken over by Petrofina."

Wickes' UK offshoot for USM

BY RICHARD TOMKINS

THE EUROPEAN subsidiary of Wickes Companies, the Californian industrial and retailing group which emerged from bankruptcy proceedings late last year after a major reorganisation, yesterday announced plans for a USM flotation early in the new year.

Based in London, the subsidiary called Wickes is one of Europe's largest retailers of timber, building materials and home improvement products. It has 56 stores—22 in Britain, 23 in the Netherlands and 11 in Belgium.

At present Wickes is wholly owned by Wickes Companies which achieved notoriety by becoming one of the biggest US companies yet to file for bankruptcy. The European operations were excluded from the proceedings but have faced significant changes as part of the recovery plan.

One of the changes has been the installation of Mr Henry Sweetbaum as chairman and chief executive of the London-based Wickes in 1982. Since then the company has introduced a new trading style and achieved significant earnings growth. Turnover has almost doubled to £103m in the past three years.

Mr Sweetbaum said yesterday that one reason for the flotation was that Wickes Companies had taken the view that it was time for the subsidiary to finance itself and determine its own future. "It's a fledgling which they have brought to maturity, and now it's time for it to stand on its own feet."

A flotation would also give staff the opportunity to become shareholders.

"It is our intention to have a fairly substantial stock option and share save scheme and to encourage a high level of share ownership among employees," said Mr Sweetbaum.

The flotation is likely to be through an offer for sale. Mr Sweetbaum said that it would leave about 85 per cent of the equity with Wickes Companies and that it was the parent company's long-term aim to remain a major shareholder.

None of Wickes Companies shares would be sold in connection with the issue, he said. All the proceeds would be new money for the subsidiary and would be invested in its development.

The subsidiary had initiated an aggressive store development programme and the funds raised through the flotation would be used to finance its expansion.

TI completes disposal and plans further sales

BY DAVID GOODHART

TI Group, the Birmingham-based engineer, has completed the sale of its transport equipment businesses with the disposal of a package of small companies to the Sealed Power Corporation of Michigan for £3.5m.

Mr Ronnie Utiger, chairman of TI, denied that the sale was a defensive measure prompted by the now fading bid threat from Evered Holdings, the Surrey engineering group with a 20 per cent holding in TI.

He said: "This was a disposal we were looking at before Evered appeared on the scene—in fact, I said in the chairman's statement last March that we were looking to dispose of peripheral interests amounting to about 10 per cent of het assets."

The sale of the transport equipment businesses plus the disposal of TI's holding in Aluminium Wire and Cable has now netted about £14m in recent months.

Yesterday's sale included: V. L. Churchill, the special tools business of Daventry; Optom SA of Spain; Nuday of Michigan; and TI's 60 per cent holding in Centre-Churchill of Daventry.

In November TI sold the other half of its transport equipment division for £6.7m to FKI Electricals. It will be looking to make further disposals of peripheral businesses netting another £15m.

Mr Utiger said the money would be used to reduce borrowing and to invest in growth industries like engine rings.

Sealed Power is a major manufacturer and distributor of automotive parts and components. It has a turnover of about $625m (£435m) and has been looking to expand its overseas operations.

Although a bid by Evered is looking increasingly unlikely, the company is still seeking another full board director to improve its links with the City. If a suitable candidate is found he may become non-executive chairman.

Scandinavian Bank share shuffle

By Kevin Done in Stockholm

Privatbanken, the third largest Danish bank, is to purchase a 10 per cent stake in Scandinavian Bank, the London-based consortium bank.

As part of a further reshuffling of shareholdings in the bank, Skanska Banken, the Swedish regional bank, which previously had a stake of 4.1 per cent, has decided to pull out.

Skandinaviska Enskilda Banken, the leading Swedish commercial bank, has also decided to reduce its dominant role in the bank by cutting its stake from 45.7 per cent to 33 per cent.

Union Bank of Finland and Bergen Bank of Norway are increasing their holdings from 23.6 per cent to 27 per cent. Iceland's Landsbanki is the remaining shareholder with 3 per cent.

Scandinavian Bank, which was established in 1969, is one of the 15 largest international banks based in the UK and had assets of £3bn at the end of 1984.

Fobel looks ahead to recovery

Fobel International group incurred a net attributable loss of £680,000 for the first half of 1985 and will stay in the red over the full year.

However, this will relate entirely to the past and prospects are excellent, the directors report. There are adequate financial resources and facilities for development of the group's many interests, and they are confident that 1986 will show increased turnover, a return to substantial profitability and a higher dividend. The current interim is held at 0.2p.

The loss was expected and compared with a profit of £79,000. The prime reason was the lack of orders in the Hong Kong electronics manufacturing subsidiaries. The position has improved and the division will start 1986 with a full order book which should ensure a return to profitability.

In the UK, the remaining interests have been reorganised to take account of the disposal of the two largest subsidiaries, S. Leboff (Fobel) and Freedman and Matz (Timber Products). This will release further funds and reduce overheads considerably.

The Canadian door manufacturing associate has a successful half year and continues to trade well.

Exchange losses of £193,000 have been written off against the reserve set up for that purpose at the end of 1984.

Doubled profits at British Land

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

British Land, property development and investment group, doubled pre-tax rofits and earnings er share in the first half of 1985.

The grou, which has just paid £19.85m for Equitable Debenture and Assets Corporation, achieved pre-tax profits of £8.1m in the six months to September 30, up from £4m previously. Net rental income rose by 48 per cent to £10.7m and earnings per share increased from 2.4p to 4.9p.

There is an interim dividend of 1p (0.75p) and the directors say that they are sufficiently confident of prospects for the full year to forecast a further dividend increase at the year-end.

British Land says that its 12 per cent convertible, unsecured loan stock has now been fully converted. The number of fully paid shares in issue stands at 139.7m, which, at yesterday's share price, capitalises the group at £212m, against an independently appraised net worth of £283m at the time of the last accounts.

The group, which now has over 1.4m sq ft of offices—mainly freehold—in the City and in the West End of London, says it is well placed to secure improved rentals from reviews and development.

Mr John Ritblat, the chairman, sad yesterday: "We continue to believe that concentrating wholly on new developments does not necessarily offer the most effective form of profit growth. Our policy of acquiring existing properties for investment and refurbishment has been shown over the years to have created a high degree of growth for shareholders with limited financial exposure."

He added, however, we continue to take development opportunities and our current programme continues on a sound basis."

British Land is, with Stockley, Barclays Pension Trust and Unilever, on schedule to complete in early 1986 the redevelopment of Unilever's Salisbury Square building in the City. With 103,000 sq ft pre-let to Peat Marwick Mitchell, terms have now been agreed for the letting of the remaining 54,000 sq ft.

Work is about to start on the remodelling of the Corn Exchange building in the City while the three hotels being jointly developed with Ladbroke at a cost of £10m in Basingstoke, Livingston and Swansea have completed. They are fully operational and are trading ahead of budget.

Overseas, the group has profitably sold its remaining properties in Australia and is seeking planning consent for the construction of a 250,000 sq ft office building on a prime site, jointly owned with Paribas, on the Front de Seine, Paris. The project will have a completed investment value of over FFr 600m (£54m).

Watson & Philip rises

IN ITS first complete year of being able to concentrate solely on its mainstream activities of distributing foodstuffs and related products, Watson & Philip has produced a pre-tax profit of £1.12m.

This is a 25 per cent advance on the previous £896,000, before taking account of special dividends in that year. The final dividend is 4.1p, against 4p forecast on capital increased in respect of acquisitions, to give shareholders a total of 5.8p (5p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
British Land	int	1	Feb 6	0.75	—	2.5
British Steam	int	2.75	Jan 23	2.25	—	6.25
Fobel Intl	int	0.2	Feb 1	0.2	—	0.4
Irish Ropes	int	—	—	2.1	2.1	2.1
Mansfield Brewery	int	2.25	Jan 3	2.25	—	8.25
Micro Scope	int	1	—	—	1.53	—
Plysu	int	0.8	Jan 31	0.63*	—	2.17*
Reliable Props	int	2.25	—	2.25	3.5	3.5
J. Rothschild	int	2.2	Jan 31	1.5	—	5.7
Stone Intl	int	1.61	Apr 1	1.46	—	4.38
Eliza Tinsley	int	1	Feb 3	1	—	2.89
Utd Leasing	int	1.5	Jan 24	1.4	—	3.6
Watson & Philip	int	4.1†	Feb 21	3.5	5.8	5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months.

DSC in second attempt to buy out US partner

BY JOHN SHEPHERD

DSC Holdings, formerly Diamond Stylus, is making its second attempt to buy out its US partner, Katy Industries, in the Elgin Diamond Products (Europe) joint venture.

Katy has, however, agreed this time to DSC's $388,000 (£277,053) cash offer for its 50 per cent stake after turning down an equity offer in 1981, which would have given it a majority holding in DSC.

Mr Ian Wilkes, who took over the DSC chair two months ago, said the Elgin buy out "was a natural thing to do" bringing the management of a subsidiary under the control of one parent company.

The Elgin deal, which accompanied DSC's interim statement showing higher losses of £84,838 against £34,041, could be one of a couple in the pipeline.

One prospect, said Mr Wilkes, centred around a leisure related product which could be exploited through DSC's established sales network for its traditional diamond styli business, primarily engaged in the replacement market.

The leisure product, which is currently being manufactured at a factory with a short term lease, could "quiet easily" be moved and accommodated at Elgin's site in Colwyn Bay, North Wales.

DSC's second stab, subject to shareholders' approval, at Elgin, a manufacturer of resin bonded and plated diamond grinding wheels, diamond tools and diamond abrasives, would give it control of a company with net assets of £544,250, cash of £178,000 and net profits "not too far off" £180,000 (£130,115) for the year to end-March, 1986.

Elgin, formed as a joint venture in 1965, would for the current year substantially offset losses elsewhere. "But I would not expect anything terribly exciting for the full year because we will only have 2½ months' benefit of the transaction," said the chairman.

However, demand for DSC's traditional business was "becoming stronger" in the more seasonably favourable second half and new products and rationalisation were planned for 1986. First half turnover was £861,458 (£760,352).

There is again no interim dividend for the period to end-September 1985, but regarding the final (0.5p last year), Mr Wilkes said that it was unlikely to be reduced.

BOULTON & PAUL, a wholly owned subsidiary of BET, made pre-tax profits of £5.2m (£6.32m) in the six months to September 30 1985 on turnover of £45.16m (£45.23m).

Mansfield Brewery shortfall

HIGHER FINANCE charges and a 20 per cent decline by its soft drinks operations have left the medium-sized Mansfield Brewery with a £333,000 pre-tax shortfall at six months.

The brewing and retailing activities took in a 12-week contribution from the £42m acquisition of Hull-based North Country Breweries and at the operating level pushed their take up from £3.59m to £4.71m, an increase of 31 per cent.

Soft drinks returned lower-than-expected profits of £766,000 (£976,000) as a result of low demand and depressed prices.

The benefits of integrating North Country and rationalisation of the combined business will begin to show during the second six months.

The first half year, to September 27 1985, saw group turnover rise from £35.85m to £43.84m. Brewing and retailing accounted for £28.27m (£20.5m), and soft drinks for £15.57m (£15.15m).

Operating profits came through £910,000 ahead at £5.47m before taking account income from fixed asset investment amounting to £31,000 (£42,000), a £314,000 (£34,000) surplus from the disposal of properties and finance charges of £1.84m (£302,000). Pre-tax profits totalled £4.01m, compared with £4.34m.

Tax took £1.26m (£1.91m) to leave earnings at 15.7p, little changed from the previous 15.6p. The interim dividend is the same at 2.25p net.

UK COMPANY NEWS

Argyll unveils its plans for a slimmed Distillers

BY LIONEL BARBER AND MARK MEREDITH

ARGYLL Group, the UK supermarkets group, bidding £1.87bn for the Distillers Company, the international Scotch whisky combine, yesterday outlined its plans for the new group.

In four glossy booklets, combining a heavy sales pitch with a formal offer document, Argyll said it would strip Distillers of most of its West End office network in London and sell its large stakes in BP and the Bank of Scotland, jointly worth about £115m. Argyll also said it would consider disposing of parts of Distillers' fnod aelivtites but only afler close inspection.

However, it dismissed suggestions from DCL that it intended to sell any of Distillers' brands. "Nor will we disrupt the market by disposing of Distillers' excess stocks of Scotch whisky."

Mr John Connell, DCL chairman, said he still thought that the Argyll offer was utterly inadequate and Argyll's business experience was wholly irrelevant to the DCL's worldwide drinks business.

In one of the four booklets entitled Twenty Good Reasons why you should accept the Argylt offer, Mr Jamee Gulliver, Argyll chairman, continued to accuse Distillers management of failure in every area of its business.

Mr Gulliver said that his offer now valued each Distillers' share at 516p, a 73 per cent increase on the price of 298p the day before bid rumours began. Argyll is offering eight new shares and 10 new convertible preference shares plus £14.50 in cash for every 10 Distillers' shares.

DCL shares fell 8p to elose at 480p, while Argyll fell 7p to 323p. On the basis of last night's elosing prices the offer values DCL at 503p per share. There is a cash alternative of 485p per share.

Mr Gulliver told a news conference in Edinburgh that he would overhaul DCL's overseas distribution and brand marketing, an area where DCL says Mr Gulliver has no experience.

Mr Gulliver added that be would reduce the number of DCL tebels, but he stressed that this would not lead to any job losses in Scottish distilleries or bottling plants.

"Relatinus with overseas distributors is very loose, distributnrs have nnt been betd accountable in various markets," he said.

Argyll's four-pack offer document, partly designed by Saatchi & Saatchi, the advertising agency, also contains a thin yellow brochure entitled "How to accept the offer," a gulde to the various options in Argyll's two-tier offer.

Weir gets all clear from MoD on Yarrow

By Martin Dickson

Weir Group said yesterday the Ministry of Defence had indicated that it had no objection to Weir's £18m hostile takeover bid for Yarrow, its neighbouring Glasgow engineering company.

The claim, made in Weir's official offer document, follows criticism from Yarrow that the deal would lose customers and contracts for its largest subsidiary, YARD, a specialist engineering company engaged in naval architecture and marine engineering. The Ministry of Defence is YARD's largest customer.

The offer document said Weir was confident it could introduce YARD to worldwide markets and ganerate additional new business. It added that shareholders were being offered an 84 per cent increase in income.

However, Yarrow's financial adviser, Baring Brothers, said last night that nothing in the document changed the company's view that the offer was ill-concelved and inadequate.

BRASWAY, iron and steel scrap processor and tube and bright bar manufacturer, raised turnover to £12.67m (£10.67m) and pre-tax profits to £604,352 (£400,925) in the half-year ended October 31 1985. Earnings amounted to 5.21p (3.17p) and the interim dividend is lifted to 1p (0.75p) net on the enlarged share capital. Tax took £241,740 (£180,416).

United Leasing down but sees full year growth

United Leasing has not been isolated from the general trends in the enmputer industry, but is eurrently experiencing the highest ever demand fnr its producls and services, reports the chairman Mr Parry Milchell.

He has nn doubt that results fnr the year ending March 31 1986 will meet expectations and that the high growth traditinnally associated wilh the group will continue. He considers that prospects justify lifting the interim dividend from 1.4p to 1.5p net.

The group bas experienced a downturn in the six months ended September 30 1985, wilh profits before tax being halved to £1.01m. Shareholders were told that the year's result would be even more heavily weighted in favour of the second half$ but there has been a near £1m loss in the microcomputer division, and other adverse factors were start-up costs relating to new busioess ventures, including the opening of a computer leasing subsidiary in France.

In the established computer leasing and asset based financing division profits exceeded last year. This, says the chairman, was despite the relative absence of new products from IBM; also the bringing forward of capital expenditure to take advaotage of 75 per cent first year allnwances available before March 31 1985 thereafter.

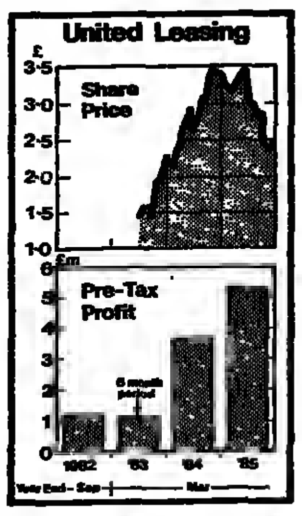
Unilease has financed in the US the first Sierra 3090 processor installed by IBM worldwide. In the UK the group bas signed leases on five of the approximately 20 Sierras to be installed before the eod of this month and this will contribute to second balf profits. By the end of the year the group expects to have installed on lease 18 Sierra worldwide, each costing some £4m.

In recognition of the seriousness nf the problems affecting United Business Systems (microcomputers), Mr Mitchell has personally taken over as managing dirertnr. A concerted attaek has been made on unprofitable business and overheads and the position has imoroved significantly in terms of turnover and margin.

Mr Mitchell expeets the improvement to cootinue, and looks for future results of UBS fully justifying the decision to diversify into that area of business.

In the half year turnover came to £63.84m, against an adjusted £70.39m. Tax has heen charged et 10 per cent—amounting to £100,000 (£335,000)—to write-off ACT on the interim dividend and provide for tax on the profits of the associate. Minorities cost £75,000 (£127,000) to leave earnings at 5.8p (11p) per share.

For the year ended March 31 1985 gronp pre-tax profit was £5.29m and the final dividend 2.2p.



● comment

United Leasing's profits slump was enough to have the computer leasing cynics dancing in the streets, buttbose who succumbed to the urge may find they put their clogs on too soon. The major problem was the gronp's £940,000 loss on microcomputers: the computer leasing activities themselves were static at around £2m but even the harshest critic would have to concede that the United did well to sustain that level against such a difficult market background. The second half, bowever, is likely to bring a powerful revival. Management changes, staff cuts and an improvement in trading conditions bave already hrought the micro operatinns into break-even. On the leasing side, each IBM Sierra delivery adds abont £400,000 to the pre-tax profit line, and with 18 deliveries already in the pipeline there is clearly going to be a strong second-half surge. The shares had already discounted the first-half loss and yesterday put on 10p to 247p. With profits of at least £7m in sight on a tax charge of just fi per cent, the prospective p/e ratio of 5 has the shares looking cheap to those not afraid of the sector.

Hampton Areas profits slump to £319,000

DISAPPOINTING profits for the balf year to September 30 from Hampton Gold Mining Areas, the London-registered netural resources group, are mitigated by news nf two potential gold mining operations in western Australia.

However, the shares fell 14p to 123p yesterday following news of the drop in half-year net profits to £319,000, or 1.17p per share, from £761,000 a year ago. The interim dividend is beld at 1p.

Hampton Areas says that at its Jubilee gold prospect, near Kalgoorlie in westero Australia, the drilling programme has proved ore reserves of over 3m tonnes at a grade of 2.94 grammea gold per tonne. Further reserves in the "probable and possible" category are said to exceed 1m tonnes.

Enough ore has been proven to support a mining operation at a rate of between 400,000 tonnes and 600,000 tonnes of ore a year. A decision to go ahead with a mine will be considered following a detailed feasibility study which is due tn be completed in the second quarter of next year.

Meanwhile, the final feasibility study has been completed by Newmont Mining at the Location 50 joint venture in western Australia where Hampton Areas has a 25 per eent interest. Mineable ore reserves are pnt at 5.9m tonnes grading 2.86g per tonne gold and the partners are to meet later this month to take a decision nn mine development.

Burns Anderson, a shopfitting and financial services group, made £939,651 pre-tax, on turnover of £37.42m in the 1984-85 year. This compares with £668,420 and £28m last tima.

The dividend is raised form 2.42p to 2.7p with a final of 1.45p (1.72p), with earnings per share at 5.2p (4.4p). The directors are confident of further growth in profits with the financial resources now available from the recent £1.7m rights.

Martin Dickson on the collapse of the management bid for Molins

Why the buy-out was voted out

THE FLEXING of institutional muscles which led to the collapse yesterday of the planned £49.8m management buy-out at Molins, the maker of cigarette manufacturing machinery, has wider implications for the future of Britain's burgeoning buy-out industry.

For the Molins deal was the first buy-out to be attempted at a publicly quoted British company, apart from Haden, the engineering group, where special factors were involved: Haden was already the subject of a hostile £37m takeover bid, and the £56m paid for the group earlier this year by the management and a group of institutional backers was widely regarded as a fairly full price.

Haden apart, management buy-outs in Britain have to date involved the subsidiaries of companies which want to pull out of peripheral activities and concentrate on core businesses.

Recent examples include the sale by Grand Metropolitan, the hotels, brewing and leisure group, of its Mecca Leisure subsidiary for £95m.

However, in the US management buy-outs of publicly quoted companies — whether or not they are involved in takeover bids — have become very common. The Molins deal was seen, to some extent, as a test for this fashion in the UK.

The institutions, led by the M & G unit trust group and Prudential Assurance, which yesterday rejected the buy-out did so essentially because they felt the company was being sold too cheaply.

The 170p a share offer on the table was only 18p above Molins' share price immediately before the buy-out was unveiled in September.

Mr Christopher Ross, managing director of Molins

The institutions felt this contained insufficient premium for control of the company, particularly given its growth potential under the widely-admired managing director, Mr Christopher Ross.

Molins, which sells more than 90 per cent of its products abroad to private and state-owned cigarette makers, has been on a declining profit trend in recent years: in 1984 it recorded pre-tax profits of £6m, compared to £12m in 1978.

It is forecasting a rise to £8m this year but has warned that trading conditions in 1986 are unlikely to be materially better than the current year and longer-term prospects depend crucially on the success of new products now under development.

Nevertheless, the institutional investors see substantial upside potential, given the opportunities for rationalisation and asset disposal and the strength of the management.

For the institutional investors were concerned that a successful Molins buy-out team might seek to float the company again on the stock market in a few years' time, and at a much higher share price. The existing shareholders would then have lost out.

The management, and the institutional investors backing the buy-out — such as Electra Investment Trust, Candover Investments and Schroder Ventures — would stand to make sizeable capital gains. "The venture capital funds are not in this for charitable reasons," was the tart comment of one rival fund manager with shares in Molins.

Fund managers still talk angrily of the case of Stone-Platt, the engineering company which went into receivership in 1982—amid opposition from its own management.

Many of its businesses were successfully sold off and the rump of the company, Stone International, was successfully refloated in September last year.

However, the buy-out raises issues that go beyond just price. The Molins management argued that going private would be of benefit in two ways.

Firstly, it would give the company greater confidentiality. This would be valuable in its fight against its two or three major competitors, which were already private businesses.

However, one substantial institutional shareholder rejects this argument as "nonsense. In such a restricted market, it is not conceivable that your rivals don't know what you are doing."

Secondly, the management maintained that because its business was a long-term one, taking years to develop new machinery, it would benefit from an uninterrupted period out of the limelight.

However, some of the institutions resent the implication that they think purely short-term and are not prepared to take a longer view, backing a management to turn a company round.

In one respect, the Molins buy-out is perhaps atypical: BAT Industries holds 29.9 per cent of its shares and has made clear that it does not view the stake as part of its long term interests. The uncertainty created by that posture was a factor promoting the buy-out plan.

Nevertheless, the Molins tale is a cautionary one for the buy-out industry. As one leading fund manager put it: "The bottom line is that if there are going to be PLC buyouts, the management must make damned sure the shareholders are being given maximum value for their interests."

Or, as another one put it: "The question to ask is 'Why do this?' not 'Why not do it?'"

British Airways announces pre-tax profits of £201m for the half year.

BRITISH AIRWAYS HALF YEAR RESULTS

The Board of British Airways Plc announces the results for the six months ended 30th September 1985.

Group Results	6 months ended 30 September unaudited 1985 £m	6 months ended 30 September unaudited 1984 £m	Year ended 31 March audited* 1985 £m
TURNOVER: Airline	1640	1491	2797
Other	103	82	145
	1743	1573	2942
AIRLINE OPERATING SURPLUS (Note 1)	205	236	303
Operating profit/(loss) on other activities	1	(2)	(11)
Other income, including related companies	16	26	22
Exceptional item	–	–	(33)
PROFIT BEFORE INTEREST AND TAXATION	222	260	281
Interest payable	(29)	(48)	(89)
Currency profits (losses) (Note 1)	8	(23)	(24)
PROFIT BEFORE TAXATION	201	189	168
Taxation (Note 2)	(1)	(2)	(2)
Profit for the period after taxation	200	187	166
Extraordinary items	–	–	10
Profit for the period transferred to reserves	200	187	176

Note 1

During the 6 months the sterling US Dollar exchange rate moved from US$1.237 to US$1.4083. Despite this strengthening of sterling against the US$ and many other currencies the effect on the overall financial position and in particular the revenue reserves is small. There are three constituent elements as follows:

(i) The Airline Operating Surplus has been reduced by £24m due to normal credit periods allowed to agents resident outside the UK in settling accounts partly offset by similar payments to foreign suppliers. Both forms of settlement have been affected by the erratic movements within the currency exchange markets.

(ii) The liability on US dollar general purpose loans has decreased by £8m which is credited to the Profit and Loss Account.

(iii) The US dollar loans raised specifically for the purpose of financing aircraft and the corresponding dollar cost of these fixed assets has decreased by £40m as a result of the appreciation in the value of sterling during the period. Conversely, the reserves have been credited by an adjustment to past depreciation on those fixed assets of £12m. The effect on the depreciation charge in the period is not material.

The net effect of these is a £4m debit to reserves.

Note 2

No provision is required for UK Corporation Tax, because of the availability of losses brought forward. On present estimates provision for Deferred Taxation may be required during the financial year ending 31 March 1987. The Taxation charge of £1m is in respect of overseas taxes and tax attributable to related companies.

Commentary

The volume of scheduled airline traffic in this half year increased over the same period a year ago by 9.5% in terms of passengers and 10.4% in revenue passenger kilometres.

This volume growth has arisen across all geographical markets with particular strength shown in the USA.

Airline turnover has increased from £1491m to £1640m. While the Airline Operating Surplus has fallen from £236m to £205m – for which there are a number of quantified reasons set out in this statement – the pre-tax profits have increased from £189m to £201m.

The Airline Operating Surplus has, in addition to the £24m loss on currency, been affected by the following:

(i) The loss of the profitable Saudi Arabian routes which in the same period last year contributed some £10m to half year profits. The new routes to South America are performing well and prospects are encouraging, but they have yet to contribute profits. Due to conflicts in the Middle East services to Iran have remained discontinued throughout the period.

(ii) With a much smaller number of Trident aircraft in service in this half year operating lease charges in respect of Boeing 757 and 737 aircraft have amounted to some £20m, compared with a virtually nil cost a year ago. Depreciation charged is little changed at £45m.

(iii) The accident at Leeds in which a TriStar operated by British Airtours overran the runway, and the loss of the Boeing 737 at Manchester (which led to temporary grounding of aircraft for inspection), have adversely affected the result for the period by an identified £9m. It is believed that this amount may be increased by revenue reflecting some temporary loss of market share to points in Europe but this cannot yet be evaluated.

The cost of aviation fuel although fairly static in the first half of the year has subsequently increased. With lower oil prices on the world markets the outlook for fuel prices should improve.

We are experiencing rejections and delays by the regulatory authorities in seeking approval of new fare proposals.

During the half year net loan repayments amounted to £135m. With the strengthening of sterling the value of borrowings have fallen by £48m over the period, and these now stand at £464m against £647m at 31 March 1985.

Net worth (share capital and reserves) is now £499m compared with £297m a year ago, and a similar amount at 31 March 1985.

*Comparative figures for the year to 31 March 1985 have been extracted from the audited accounts of British Airways Plc and its subsidiaries upon which the auditors have issued an unqualified audit report. Copies of these accounts have been delivered to the Secretary of State for Transport and filed with the Registrar of Companies.

If you want to know more about the Company send this coupon to Public Affairs, British Airways Plc. (S53), P.O. Box 10, Heathrow Airport Hounslow, TW6 2JA, for a copy of the Interim Results for the first six months to 30th September 1985 and 1984/85 Report and Accounts.

Name________________

Address________________

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BRITISH AIRWAYS
Britain's highest flying company

UK COMPANY NEWS

Orders delay depresses Stone Intl. at halfway

FIRST HALF profits at Stone International, the systems engineering group, were affected by a delay in the delivery of UK and US air conditioning and power systems orders, and the pre-tax outcome was down by £141,000 to £3.02m.

Mr Bryan Jenks, chairman, says that these should come through in the second half, and will have a compensating effect on delivery schedules. He also expects that Andrews Group, the heating and air conditioning concern acquired last September, will contribute more significantly to profits in what is traditionally its stronger trading period.

Because of the confidence that the board feels for the full year outcome, the interim dividend is raised from £1.46p to £1.61p, on earnings per share maintained at 6.3p. A much lower tax charge left net profits ahead at £2.41m (£2.11m).

Sales came to £44m against £39.04m for the period to November 30 1985, producing operating profits of £3.3m (£3.9m). The weakening of the US dollar at the period end also had an adverse impact, says the chairman, but acquisitions had a beneficial effect. In addition to Andrews, the company has also recently acquired PLC Peters, a manufacturer of doors and closing mechanisms for the transport industries.

In the period under review, the chairman says that orders did not have the benefit of last year's £11m Singapore order, but they have again been at satisfactory levels. They included the order for air conditioning for the Italian tilting train (£0.7m), for boilers for British Gas (£1m), British Rail (£0.5m), and for export to South Korea (£0.5m).

● **comment**

Deferred orders and a weaker dollar were the factors behind yesterday's disappointing interim figures from Stone International which left operating profits some 15 per cent lower even after maiden contributions from acquisitions. A US pension fund surplus made a timely appearence to hold the decline at the pre-tax level to 5 per cent but forecasts, which had been coming down ahead of these figures, were further trimmed to around £8m for the year. The shares fell 18p to 158p which could upset the group's plans. Bringing the results forward from the end of January was hardly designed just to upset shareholders' Christmas but more likely to create a fair market ahead of issuing more paper. In its short life as a quoted company Stone has a string of acquisitions behind it but it would need shares to finance anything like a deal of £10m or more. Yet any such plans may need to be re-examined in the light of yesterday's fall which left the shares on a prospective 9 times multiple after a 20 per cent tax charge.

Micro Scope lifts profits 81%

IN ITS first set of results since gaining a full listing in June, Micro Scope has lifted pre-tax profits in the year to October 31 1985 by 81 per cent from £595,000 to £1.08m and more than doubled earnings per share from 3.4p to 8p.

Sales increased from £2.6m to £3.87m, reflecting, Micro Scope says, the decision taken in 1983 to derive, within five years, more than half its business from exports. It now sells its products, it says, in 11 countries with prospects for several more. This is aided by technical advances it is making in its videotex communications.

The proceeds of the offer for sale have helped improve the balance sheet and together with a mortgage loan have been used to build new headquarters which will be occupied from January 1 1986. Micro Scope says its working capital position has also been enhanced, enabling it to take advantage of any growth opportunities.

A final dividend of 1p per share is being recommended, making 1.53p for the year.

● **comment**

Micro Scope produced profits just the right side of the forecast made in June and the shares responded with a 10p rise to 128p — still only 8p above the offer price. The performance has been impressive: a dramatic increase in profits and margins, turnover per employee up from £55,000 to £65,000, and the proportion of earnings from overseas rising from 7 per cent to 11 per cent of the total. The company is excited about the prospects for the current year: it continues to spread its tentacles in Europe and Australasia and is putting feelers into the US and China; new products are planned; the value of bids so far made for videotex contracts already exceeds the total value of all videotex business last year; and it has been appointed a distributor of Sony videotex terminals. There are two main factors holding the share price down at levels which Micro Scope must find disappointing. One is the market's understandable caution at the sight of a very small, very young company encompassing the globe in the cut-throat business of telecommunications. The other is that a rise in the tax charge to 35 per cent will largely nullify the likely growth in profits to £1.5mf this year. The prospective p/e ratio falls to 13 where it is likely to stick.

BSS 59% ahead at six months

The opening six months for the British Steam Specialties Group saw pre-tax profits surge by 59 per cent, from £1.61m to £2.56m.

The rise was attributable to good all-round performances, particularly from the main distribution division BSS which was again by far the major profit contributor.

Turnover for the half year, to September 30, expanded from £31.69m to £37.91m and at the trading level profits pushed ahead by £902,000 to £2.91m. The Leicester-based group is a specialist supplier of pipeline equipment.

Earnings emerged 4.4p higher at 10.4p and the interim dividend is being lifted by 0.5p to 2.75p net per 20p share.

Branches at Edinburgh and Luton are now in service and extensions are in progress at Liverpool, Peterborough and Swansea. The Leeds branch is being moved to larger premises nearby and a third site in London is to be opened early next year to take advantage of the potential in the south-east.

In manufacturing the integration of KEK and Gardners in the kemutec division has been completed and improved profits are now coming through.

Granyte joining USM via placing of 3.5m shares

BY RICHARD TOMKINS

Granyte Surface Coatings, which makes wood finishing products for the furniture, joinery and do-it-yourself trades, has announced the details of its USM flotation.

A total of 3.5m shares are being placed at 56p each by James Finlay Corporation, the banking and corporate finance subsidiary of the James Finlay industrial and plantations group. It is Finlay's first USM flotation.

Brokers to the issue are de Zoete & Bevan.

Granyte claims to have about 30 per cent of the £35m-£40m market for wood finishes, which accounts for 84 per cent of turnover. The remainder stems from paint manufacturing.

The business was founded in the 1850s but began the transformation to its present size in the late 1970s. It has made several acquisitions including the purchase last year of the industrial wood finish business of ICI.

Pre-tax profits have grown from £620,000 in the year to February 1981 to £945,000 in 1984-85. Turnover has risen from £4.7m to £11.7m over the same period.

The placing will give Granyte a market capitalisation of £7.84m, and will raise about £1m net for the company and about £840,000 for existing shareholders.

The directors say the reason for the flotation is to strengthen the equity base and reduce borrowings.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Hogg Robinson, Jacksons Bourne End, NESCO Investments, Wight Colne Rutherford Scott.

Finals:—Archimedes Investment Trust, Booth&m Engineers, Contad, North British Steel, Redman Heenan International, Western Selection.

FUTURE DATES

Interims:—	
Bennett and Fountain	Dec 19
Black (Peter)	Jan 10
CAP Group	Jan 15
Gellar (A. and J.)	Jan 21
Jones Stroud	Jan 16
May and Hassell	Dec 23
Rediant Metal Finishing	Dec 19
Rexmore	Dec 20
Stewart and Wight	Jan 9
Final:—	
Spirali (C. A.) (Special Agency)	Dec 20

Cifer losses reduced to £1.8m

AFTER LOWER administration and distribution expenses, taxable losses of Cifer, USM quoted manufacturer of computer terminals and microcomputers, were reduced from £3m to £1.82m for the year ended September 30 1985.

The shares closed 2p higher at 10p.

Mr Oliver Newland, chairman, who reported higher losses at the interim stage of £1.71m (£1m), says the turnround was achieved after bearing full finance charges up from £278,000 to £499,000 —and against a backdrop "of continuing uncertainty in the electronics and computer market place."

In July the chairman said that the company's rationalisation programme had been put into effect and continued to have the support of Lloyds Bank and Investors in Industry. Evidence of effort being put into a return to profitability, would be clear to shareholders over the next 18 months, he stated.

He now says that current operations are receiving the benefit of the ensuing cost saving from the rationalisation programme. Extraordinary charges for the year of £801,000 (£91,000) includes costs of £522,000 arising from the implementation of changes to the business structure.

Turnover for the year amounted to £6.72m. This is compared with £8.43m last time which included £1.12m in respect of a subsidiary sold in August 1984.

Design and development costs took £611,000 (£899,000), distribution £1.14m (£1.77m) and administration £674,000 (£1.71m).

There was no tax (£321,000 credit) but after the extraordinary items, and a £109,000 loss on the sale of a subsidiary last time, the retained figure came through little changed at £2.62m (£2.88m).

Plysu profit up 21%

Plysu, the Milton Keynes-based manufacturer of plastic containers, housewares and protective clothing, achieved a 21 per cent increase in pre-tax profits from £1.9m to £2.3m in the first half, despite disappointing results from its Dutch operations which are included for the first time.

Plysu BV, formed from Phoenix Plastics acquired in July 1984 and Plysu Europe, was affected by a decline in sales of products inherited from Phoenix Plastics.

UK sales, however, rose 16 per cent in the 28 weeks to October 12 from £13.56m to £15.77m due to an encouraging housewares performance. Group turnover rose 35 per cent from £13.56m to £18.33m.

The group is concentrating its expansion plans for Plysu Europe, on its range of smaller containers where trade has not suffered.

An interim dividend of 0.8p is being paid, against 0.63p previously, adjusted for a scrip issue. Earnings per share are 5.7p (4.3p).

Triplex £2.7m cash call backed with £1m profit forecast

Triplex, the foundries engineering and building components group, yesterday unveiled a £2.7m rights issue along with its interim statement showing a 50 per cent profits increase.

The interim result, up from £292,000 to £440,000 pre-tax, further consolidates the progress made over the past two years, and the rights will enable Triplex to pursue an acquisition programme, says Mr Lewis Robertson, the chairman.

A total of 4.12m shares are on offer at 70p each on a one-for-two basis, underwritten by Noble Grossart. This gives a discount of 22 per cent on last night's closing price of 90p, up 1p. The brokers are Hoare Govett.

Triplex, based in Tipton, West Midlands, has backed the rights with profit and dividend forecasts. Mr Lewis says the current year will yield at least a £1m profit and, if the rights is approved by shareholders, will be accompanied by a substantially higher final dividend of 2p, against 0.75p.

In addition, he says, that Triplex intends to restore an interim dividend in due course noting that dividends have only been increased once since 1983 and are not yet back at the 1980 level.

Profits for the half year to end-September 1985 were achieved on turnover up from £13.09m to £13.71m.

There were profit improvements across the board. Foundries, the core business, improved from £236,000 to £357,000; engineering contributed £229,000, against £163,000; and building components rose from £178,000 to £189,000.

Interest charges rose by £60,000 to £335,000 but, says the chairman, will be reduced by the rights which will in the short-term cut borrowings, currently at about £4.1m.

Attributable profits were £311,000, up from £289,000, and earnings were higher at 3.8p against 3.5p.

● **comment**

Yesterday's rights issue marks the beginning of a new era at Triplex. Although the bulk of the reorganisation effort restored the company back to health as early as 1983-84, overweight debt has continued to restrain new management from seriously expanding on the restructured base. But after this issue gearing will be down to a more than comfortable 20 per cent and the purchase of UBM Windows (announced last week) is just the beginning of a programme to reinforce the core businesses. Nestling inside the head office is a file of possible targets, many are small but Triplex has the balance sheet and management to contemplate a sizeable purchase. All but one company within building products is performing well and the forecast of at least £1m points to an increase of 61 per cent but more important will be 1986-87. With interest savings, profits could reach £2m—even without acquisitions—dropping the prospective p/e to under 8, taking a 30 per cent tax charge, which is an attractive rating.

Telfos calls for £2m

Telfos Holdings, a manufacturer of non-ferrous metal products and metal spraying equipment, is launching a rights issue to raise £2m.

For every 10 shares held, investors in Telfos are being asked to subscribe 200p for a package of two new ordinary shares, one preference share and one warrant, described as a unit.

Plantation & General Holdings, which owns 64.59 per cent of Telfos, has undertaken to subscribe for not less than 150,000 units out of an entitlement of 713,000. Brokers Fiske & Co have underwritten the balance of the issue of 953,780 units.

Also yesterday, pre-tax profits were forecast of not less than £975,000 for the year ending this month, compared with £714,000 in 1984. The final dividend will not be less than 1.54p per share making a total of 2.71p, an increase of 25 per cent.

The warrants will entitle holders to subscribe for ordinary shares at 100p each on April 30 in the years from 1987 to 1997, inclusive.

A holder of 9 per cent cumulative preference shares who is also a holder of warrants may convert one preference share into one ordinary share per warrant at 100p.

FT COMMERCIAL LAW REPORTS

Time for settling patent licence terms

REGINA v COMPTROLLER-GENERAL OF PATENTS DESIGNS AND TRADEMARKS, EX PARTE GIST-BROCADES NV AND ANOTHER: ALLEN & HANBURYS LTD v GENERICS (UK) LTD.

House of Lords (Lord Fraser of Tullybelton, Lord Diplock, Lord Bridge of Harwich, Lord Brightman and Lord Templeman): December 12 1985

AFTER THE end of their 16th year "new existing" patents may be extended for four more years during which licences can be obtained in them as of right on agreed terms or, in default of agreement, on terms settled by the Comptroller-General of Patents.

On July 31 1985 the House of Lords declared:

(1) That the comptroller has jurisdiction (a) to settle the terms before the end of the 16th year, but terms and licence are incapable of taking effect before expiry of that year; and (b) to limit importation of the patented product from a foreign country outside the European Economic Community (EEC).

(2) That no licence of right is capable of taking effect until all its terms have been settled.

Questions, with reference to pharmaceutical products, as to whether the comptroller must invariably permit importation from within the EEC and whether the courts have power by injuction to prevent such importation were referred to the European Court of Justice.

* * *

The declarations and referrals were made in appeals and cross-appeals arising out of an action by Allen & Hanburys Limited against Generics (UK) Limited and others (FT, June 7 1985), and an application by Gist-Brocades NV and another for judicial review of a decision made by the Comptroller-General of Patents, Designs and Trade Marks (FT, May 3 1985).

On December 12 their Lordships delivered their reasons for the declarations and orders made on July 31.

Paragraph 4 of Schedule 1 to the Patent Act 1977 provides: "(1) The term of every new existing patent . . . shall be 20 instead of 16 years from the date of the patent. . . . (2) (c) every such patent shall after the end of that year be treated as endorsed . . . licences of right."

Section 46(3) of the Act provides that where entry is made on the register to the effect that licences are available as of right ". . . (a) any person shall at any time after the entry is made be entitled as of right to a licence . . . on such terms as may be settled by agreement or, in default of agreement, by the Comptroller. . . ."

LORD DIPLOCK (in a speech written before his death) said that under the Patent Act 1977 "new existing patents" were those dated after June 1 1967. Their period was extended automatically from 16 to 20 years subject inter alia to the condition that licences of right should be available during the extended period.

The present appeals and cross appeals started as two separate proceedings. One was a civil action by Allen against Generics for infringement of a new existing patent in which the original 16-year period had expired.

The other was an application by Gist-Brocades for an order for mandamus to compel the Comptroller-General of Patents to set in train immediately the procedure for settling the terms of a licence of right in a new existing patent.

Brocades's application to the comptroller to begin to settle the terms had been made nearly eight months before the licence of right could take effect. He had refused to begin until the original 16 years had expired.

In each set of proceedings the subject matter of the patent was a well-known and highly successful pharmaceutical product.

Allen's patent was for salbutamol ("Ventolin") which was used to relieve asthma. Beecham's patent was for amoxycillin, used to relieve bronchitis.

Generics sought a licence of right to import salbutamol from Italy during Allen's four-year extension, while Brocades intended to seek a licence of right to import amoxycillin from the Netherlands during Beecham's four-year extension.

Mr Justice Falconer took the view that on the true construction of the Act Generics, if it imported from Italy, would infringe the patent unless or until it had obtained a licence on terms which permitted importation. He gave Allen summary judgment for an injunction restraining Generics from importing.

He also took the view that articles 30 and 36 of the Treaty of the European Economic Community (EEC) [prohibition of restrictions on imports] did not restrict his power to grant injunctions restraining importation from Italy.

On the EEC law point the Court of Appeal by majority agreed with Mr Justice Falconer. But it felt constrained by the earlier Court of Appeal decision in Brocades to hold that Generics' licence of right took effect from date of application to the comptroller to settle its terms. It set aside the summary judgement in Allen's action and gave Generics leave to defend.

Mr Justice Falconer dismissed the Brocades application. He held that the comptroller had no jurisdiction to embark on the procedure for settlement of terms until the beginning of the 17th year. His reasoning was upheld by the Court of Appeal. It held, however, that a licence of right granted to Brocades would take effect from date of application to settle its terms at any time after the 16th year had ended.

The comptroller's discretion to impose limitations and conditions upon what the licence authorised the licensee to do was wide. It had been argued that he could only impose terms as to the amount of royalties and security for their payment.

There was no justification for that construction. That the patentee should receive reasonable remuneration was merely one of several purposes of settled terms [see section 50(1) and (2) of the Act].

The question was whether the comptroller had a discretion to incorporate in a licence of right a prohibition or limitation on importation from a foreign country that was not a member of the EEC. Any contraints on the exercise of his discretion that might arise from articles 30 and 36 of the Treaty must be the subject of reference to the European Court of Justice.

Two of the grounds for granting compulsory licences listed in section 48(3)(b) and (c) of the Act were that demand for a patented product in the UK was being met to a substantial extent "by importation," and that a patented invention was being prevented or hindered from being commercially worked in the UK "by . . . importation."

That appeared to place it beyond argument that the comptroller, in settling the terms of a licence of right voluntarily or compulsorily, had a discretion to include a term prohibiting or imposing limitations on importation.

That might well be appropriate in the public interest, particularly in the case of pharmaceutical products.

There were no practical obstacles to entitlement to apply for a licence of right. No entry was needed in the register. Under paragraph 4(2)(c) of Schedule 1 to the Act the new existing patent, after the end of the 16th year, was to be "treated" as endorsed.

So every potential applicant knew well in advance the earliest date on which his entitlement to the grant of a licence would accrue.

The maximum period for which a licence of right could last was four years. Where there was disagreement as to terms between the patentee and intended applicant, the proceedings before the comptroller to settle might be lengthy. If they did not start before the earliest date on which the licence could take effect a significant part of the four years might have elapsed before its terms were settled and the licence granted.

During that period the applicant would be infringing and laying himself open to a potential liability in damages [see section 46(3)(c)], and in the risk of injunction where infringement was by importation.

That would conflict with the intention which Parliament had evinced by enacting paragraph 4 of Schedule 1.

The majority of the Court of Appeal sought to eliminate the gap between the beginning of the 17th year and the date when terms were settled by holding that the licence took effect from the moment application for settlement was first made.

That should be overruled. It could have consequences during the temporal gap which would be not only unjust but commercially unsound.

The comptroller had a discretion to prohibit or impose limitations on importation. Until he had decided what terms if any he would settle relating to importation, the applicant for the licence could not know whether he could safely import or not.

If he did import and the terms ultimately prohibited importation, he rendered himself liable under section 61 for an order for delivery up of the patented product, for an account of profits derived from the infringement, or damages. Furthermore, he rendered himself liable to an injunction against importation.

A construction of the Act which would invoke commercial consequences like those would be unacceptable even if there were no other way of eliminating the time gap.

But there was another and simpler way. The proceedings before the comptroller to settle any disputed terms could be started before the end of the 16th year.

Provision for timeous hearings to settle terms was likely to require some additions and amendments to the Patent Rules 1978. The form they should take was a matter for the Secretary of State. The aim should be, so far as practicable, to enable any disputed terms to be settled by the date when the extended four-year period began.

When the hearing of Brocades' application for judicial review took place, the appropriate remedy would not have been mandamus but either a declaration of certiorari to quash as erroneous in law the comptroller's decision denying his own jurisdiction. That part of the Court of Appeal's order dismissing Brocades' appeal for judicial review should be allowed to stand.

The questions of law which depended on interpretation of the EEC Treaty, in particular articles 30 and 36, were referred to the European Court of Justice for a preliminary ruling.

Their Lordships all agreed with Lord Diplock's reasons for making the declarations and orders made on July 31, 1985. With regard to his opinion that the Comptroller had a wide discretion in settling the terms of a licence of right, Lord Fraser and Lord Brightman reserved their opinion.

LORD TEMPLEMAN, disagreeing with the opinion, said that by section 46(3)(a) the applicant was entitled as of right to a licence to do those things for which he required a licence. No power was conferred on the comptroller to deny him the required licence in part or in whole, or to impose conditions on his use of the invention.

For Beecham: Stephen Gratwick QC, Hugh Laddie and David Kitchin (Simmons & Simmons)

For Allen & Hanburys: Roger Henderson QC, Antony Watson and Guy Burkill (Bristows Cooke & Carpmael)

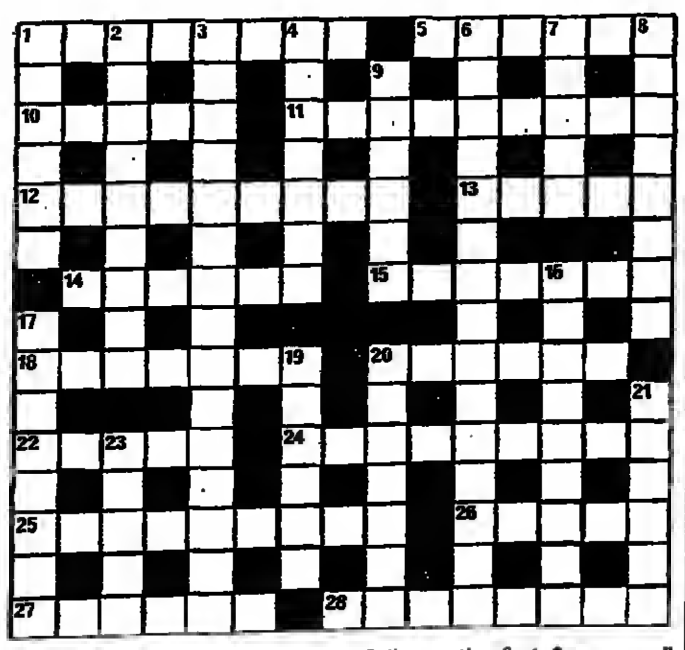
For Gist-Brocades: Alastair JD Wilson (Lovell White & King)

For Generics: Jeremy Lever QC, Nicholas Pumfrey and Richard Hacon (S J Berwin & Co)

For the Comptroller: Gerald Paterson (Treasury Solicitor)

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,902



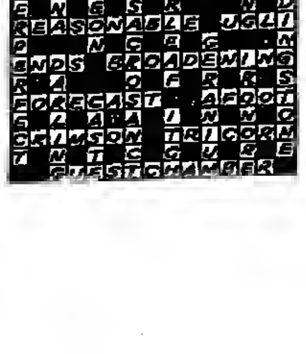
ACROSS

1 Ship's company in tight return for traitor (8)
5 Instruction telling pet how to drink? (3-3)
10 Horse, perhaps, a winner within his rights? (5)
11 Listen to article about Bill which causes great grief (9)
12 Person asking to have a meal that's flexible (9)
13 Vehicle curtailed old song (5)
14 "——— ran, one glorious blood-red" . . . (6)
15 "——— into Cadiz Bay" (Browning) (7)
18 Conquer with two bits of cricket (7)
20 Trades Unions associated with City? (6)
22 A lot of pudding sent back seems to make sense (3, 2)
24 Feature informed on crockery? (9)
25 Male or female? Male sheep hired, one of many born (9)
26 Flag, initially Hibernian — which is this? (5)
27 Cooked horse without direction (6)
28 Co-operative group, a king and queen, using pot? (3-5)

DOWN

1 "There's the wise ——— he sings each song twice over . . ." (6)
2 ". . . lest you should think he never could ———" (9)
3 ". . . the first fine ———" (Browning) (8, 7)
4 What's wrong with painting? It should go across (7)
6 I call a minister "clothhead," maybe expressing this (15)
7 Adornment of horn (French) (5)
8 Jokes about broken lyre by geese (8)
9 Cover hill for one taking prisoner (6)
16 Black stuff given in kind in a mixture (6, 3)
17 Sweet stuff for doctor and girls (8)
19 In a pleasant way? Exactly (6)
20 Grain for the mill to the French is insidiet (7)
21 Air in a singlet (6)
23 Pot in the Deep South (5)

Solution to Puzzle No 5,901



APPOINTMENTS

NCB finance director

Mr Michael H. Butler has been appointed finance director of the NATIONAL COAL BOARD. Mr Butler has been director-general of the board's finance department since 1981. He joined the department in 1962.

*

Mr E. K. Ford has been elected chairman of the SOCIETY OF INVESTMENT ANALYSTS. He is a director of Morgan Grenfell Investment Management and has served on the council of the society for two years. He succeeds Mr J. A. Miller as chairman.

*

Mr N. (Nick) Metcalf has been appointed a director of KADEK PRESS, a subsidiary of the Taylor Woodrow Group. He was production manager.

*

Mr Martin Findlay has joined the board of BODDINGTONS' BREWERIES as a non-executive director. He was previously an alternate director and is a vice-chairman of Whitbread and Co. Mr Alex Bennett will retire as a non-executive director of Boddingtons' on December 31.

*

GRANARD COMMUNICATIONS has appointed Ms Angela Block to the board.

*

Mr Michael Cox has been appointed as a director of BUSINESS INTERIORS. A member of the Stock Exchange, Mr Cox was formerly with Ernst and Whinney.

*

MELTON MEDES has appointed Mr Robert F. Aitken as group finance director. He was with the Bowater Group where he was finance director successively with a number of the group's European divisions.

*

Mr Mike Hollingsworth, former director of programmes for TV-AM, is joining the THE MUSIC CHANNEL as director of programmes and production in the New Year. He takes over from Mr Julian Mounter who is leaving to become director general with the New Zealand Broadcasting Corporation.

*

SWISS VOLKSBANK has appointed Mr Patrick von Stauffenberg and Mr Kurt Bohlhalter to the positions of manager and deputy manager respectively of its new London branch. Mr von Stauffenberg joins the bank as a senior vice president and Mr Bohlhalter is promoted internally to first vice president.

*

Mr C. H. Tidbury has become chairman of DAVENPORTS BREWERY (HOLDINGS) following the retirement of Mr J. G. Swanson. Mr Tidbury is a non-executive director and past chairman of Whitbread & Co.

*

BRUNTONS (MUSSELBURGH) has appointed Mr David R. Fraser as sales and marketing director from January 1. Mr Samuel Anderson becomes technical director from the same date.

*

The RANK ORGANISATION has appointed Sir Arthur Bryan as a non-executive director. He is chairman of Wedgwood.

*

LISTER & CO has appointed Mr Justin A. Karsberg as chairman, Mr Michael H. E. Dracup as managing director, Mr Victor Segal as a director, and Dr N. B. Smith as a non-executive director.

*

Mr Nigel Openshaw has been appointed a non-executive director of ACATOS & HUTCHESON.

*

Board appointments have been made by PEAK TECHNOLOGIES. Mr John Mills has been appointed managing director and will take over full responsibility for the day to day running of the company. He was sales and marketing director. Mr Lindsay McDermott has joined as sales director. Prior to joining Peak, Mr McDermott was sales director of Munford and White.

*

Mr Michael W. Good has been appointed managing director of ANDREW WEIR LONDON. Mr Ben Ibeson has been made deputy chairman.

*

Mr M. J. Rainsford has been appointed to the board of LESSER DESIGN & BUILD as technical director.

*

At SLEEPEEZEE Mr Steven L. Pae has become an associate director of finance and company secretary. He was previously management accountant.

*

Mr Martin Clarke, a partner in TOUCHE ROSS & CO. has been appointed partner-responsible for Bracknell, Crawley, Dartford, Havant and Jersey offices within the firm's southern region. This appointment is in addition to Mr Clarke's existing role as national director of resource development.

*

Mr James G. West, deputy managing director of Globe Investments, has been appointed to the board of CANDOVER INVESTMENTS.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St London EC4N 6AE 01-236 3885

International Growth	106 3	113 2	+0 6	1 30
Income & Growth	44 6	47 5	-0 6	2 8
Special Situations	57 0	61 5	+0 3	1 20
American Growth	28 7	30 5	+0 1	1 50
Japan Growth	36 0	38 3	+0 1	—
European Growth	47 1	50 5	-0 8	2 50
UK Growth	43 7	46 7	-0 2	1 4
Pacific Growth	32 6	34 9	-0 2	2 0
High Income	29 5	31 5		1 6
Practical Income Units	41 0	46 6	-0 2	2 70
Practical Accum Units	78 7	83 8	-0 4	2 70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd	69 3	73 7	-0 2	2 89
Accum Units	102 5	109 0	-0 3	2 89
Pearl Inc	94 6	100 6	-0 9	4 91
Pearl Unit Tst	100 2	106 6	-0 0	3 87
(Accum Units)	171 6	182 6	-1 4	3 81
Pearl Intl Equity	98 1	104 4	+0 4	1 92
(Accum Units)	98 1	104 4	+0 4	1 92

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	212 2	227 7	+0 3	1.44
Income	148 2	158.7	+1 7	5 41
Worldwide Recovery	118.1	126 8	-0 6	2 13
American Growth	60 7	65 2	+0 2	1 00
Intl Emerging Cos	62 0	67 4	-0 4	0 13
Far East Growth Fd	53 8	51 5		1 34

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544-7

Prolific American Inc	50 4	53 6	+0 5	4 96
Prolific Far East	112 0	121 3	+0 8	0 32
Prolific Extra Inc	65 5	69 5	-0 2	5 92
Prolific Convert & Gilt	82 0	41 0	-0 5	7 26
Prolific High Inc	139.3	147 7	-0 8	5 12
Prolific Intl	89 6	96 3	+0 2	1 64
Prolific N Amer	119 6	128 6	+1 1	2.25
Prolific Spec Sits	152 8	161 8	-0 4	1 49
Prolific Technology	103.7	111 5	+0 3	0.54

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	54 4	57 6	+0 2	0 00
Japan Acc	54 5	57 7	+0 2	0.00
Worldwide Inc	54 4	58 2	-0 1	1 70
Worldwide Acc	55 4	58 1	-0 1	1 70

[illegible]

Sun Life Trust Mgmt. Ltd
107 Cheapside London EC2V 6DU 01-606 6010

American Growth Acc	25 1	26 7	+2 2	1 9
American Income Acc	25 1	26 9	+2 3	4 6
American Income Inc	25 1	26 9	+2 3	4 6
European Growth Acc	36 4	38 7	-3 1	2 1
Far East Growth Acc	27 7	29 5	-0 1	0 9
Int Growth Acc	26 9	28 6	+0 1	0 4
Japan Growth Acc	34 1	36 3	+0 1	0 3
UK Growth Acc	28 7	30 5	-0 3	2 5
UK Income Acc	26 2	27 9	-0 1	4 5
UK Income Inc	26 2	27 9	-0 1	4 5
Managed Growth Acc	30 1	32 0	-0 2	2 3
Managed High Yield Inc	32 0	34 0		6 9
Managed Income Inc	27 2	28 9	-0 2	4 3

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist *	232 1	245 8	3 90
Equity Acc *	279 5	295 7	3 90
Fixed Int Dist †	116 0	120.2	11 25
Fixed Int Acc †	170 2	176.3	11 25

*Prices on Dec 11 Next dealing Jan 8
†Prices on Dec 4 Next dealing Jan 2

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	100 8	107 3	-0 9	1 22
Do Accum	104 9	111.7	-0 9	1 22
TSB Extra Income	88 0	91 7	-0 4	6 12
Do. Accum	101 3	107 8	-0 5	6 12
TSB General	132 5	141 0	-1 6	3 13
Do. Accum	213 2	226 9	-2 5	3 13
TSB Gilt & Fxd Int	46 5	48.5		9 17
Do Accum	58 4	60 9		9 17
TSB Income	173 1	184.2	-1.7	4 94
Do Accum	265 8	282 8	-2 5	4 94
TSB Pacific	111 3	110 5	-0 1	0.59
Do Accum	114 2	121 5	-0 1	0 59
TSB International	250.6	266.7	+1.4	1.86
Do Accum	307.6	327.3	+1.7	1 86
TSB Natural Resources	41 3	44 0	+0 1	2.34
Do Accum	42 2	44 9	+0 1	2.34
TSB Select Opps	48 0	51 1	+0 8	2 34
Do. Accum	52 2	55 6	-0 8	2.34

3i Unit Trust Managers Ltd

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

Australian Gen Mngt Ltd
48 Athol Street, Douglas, IoM 0624 20845

EBC Trust Company (Jersey) Ltd
1-3 Seale St, St Helier, Jersey 0534 36331

Hambros Bank Ltd
41, Bishopsgate London, EC2 01-588 2851

Hambro Pacific Fund Mgmt Ltd
2110 Connaught Centre, Hong Kong

Management International Ltd
Bank of Bermuda Bldgs, Bermuda 809-295 4000

Save & Prosper International
PO Box 73 St Helier, Jersey 0534 73933

S.G. Warburg & Co. Ltd. and subsidiaries

BIA Bond Investments AG
10 Baarerstrasse CH6301, Zug, Switzerland

BNP Inv Mgmnt (Jersey) Ltd
PO Box 158, St Helier, Jersey 0534 76011

Hambros Fd Mgrs (CI) Ltd
PO Box 86, Guernsey 0481 26521

Manufacturers Hanover Geofunds
PO Box 92, St Peter Port, Guernsey 0481 23961

World Fund S.A.
7 Boulevard Royal, Luxembourg

World Fund NAV	$14.14	+0.04	—

World Wide Growth Management◆
10a Boulevard Royal, Luxembourg

Worldwide Gth Fd	$14.31	+0.15	—

Inv. Adv.: M & G Inv. Mngt. Ltd. London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$17.74	-0.07	
Dynamic Gwth Fd	$11.16		

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.79	10.87	

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr

The Charities Deposit Fund
71 London Wall, London EC2N 1DB 01-588 1815

Deposit	11.15			6 Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST 01-236 0952

Call Fnd	11.71	8.46	12.36	6mth
7-day Fnd	11.59	8.66	12.66	6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE 01-236 1425

Call Fnd	11.09	8.29	12.04	6-Mth
7 Day Fund	11.14	8.33	12.14	6-Mth
Dollar	6.81			6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr

Adam & Co. plc
22 Charlotte Sq, Edinburgh, EH2 9DF 031 225 8484

Full Service Chq Acc.	11.00	8.00	11.78	Qtr

Aitken Hume
30 City Road, EC1Y 2AY 01 638 6070

Treasury Acc	11.08	8.22	11.11	Qtr
Hi Int Chq	11.290	8.22	11.161	Mth

Allied Arab Bank Ltd
97 101 Cannon St, London, EC4N 5AD 01 283 9111

MIBCA	11.50	0.60	12.78	Mth

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01-628 8060

Money Mkt Cheque Acc.	11.00	8.25	12.20	Mth

Provincial Trust
30 Ashley Rd, Altrincham, Cheshire 061-928 9011

Comp Acc	11.50	0.63	12.74	Mth

Royal Bank of Scotland plc
24 Lombard St, London EC3V 9EA 031-557 0201

Premium Account	11.0	8.27	17.11	Qtr

Save & Prosper/Robert Fleming
29 Western Rd, Romford RM1 3LB 0708 66966

K I D A	11.70	8.03	11.89	Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc	11.35	8.95	12.53	Qtr
Money Acc	11.03	8.75	12.15	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	11.00	8.27	12.70	Mth
Over £10,000	11.25	8.41	12.49	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 24141

High Int Chq Acc	11.61	8.69	12.03	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

Tokyo Pacific Holdings NV
Intimis Management Co NV, Curacao
NAV per share $151.19

Tokyo Pacific Hldgs. (Seaboard) NV
Intimis Management Co NV, Curacao
NAV per share $114.70

Tyndall Guardian Managers (Jersey) Ltd.
2 New St, St Helier, Jersey 0534 37331/3

Tyndall International Assurance Ltd
Albert House, St Peter Port, Guernsey 0481 27066

Tyndall-Guardian Mngt Ltd.
PO Box 1256, Hamilton, Bermuda

T-G American	$21.99		—
T-G Money	$25.95		—
T-G Turnbull	$20.10		—
T-G Commodity	$77.73		—
T-G Mortgage	£524.23		—
T-G Overseas	$13.91		—
T-G Pacific	Y2,391		—
T-G Wall Street	$31.20		—
T-G Gold	$7.67		—

M. G. Tyrrell & Co. Ltd.
PO Box 415, London W13 9NY.

Orax	$12.90	13.20		—

US Federal Securities Fund SA
2 Boulevard Royal, Luxembourg Tel 97911

NAV Dec 16	$10.66	+0.01	—

US Pacific Stock Fund
15 Avenue Emile Reuter, Luxembourg

NAV	$11.76	+2.00	—

U.S. Treasury Securities Fund Ltd
PO Box 48, St Peter Port, Guernsey 0481 23021

Short Term Shares	$17.71	+0.13	—
Fixed Income Shares	$45.58	+7.34	—

Unico Invest FO Mgt Co SA Lux
London & Continental Bankers Ltd.
2, Throgmorton Ave, London. 01-638 6111

Unico Invest Fund	DM71.99	74.20	+0.10	—

Union-Investment-Gesellschaft GmbH
Postfach 16767 D 6000 Frankfurt 16

Unifonds	DM29.11	30.60	-0.10	—
Unirak	DM82.45	86.60	+0.60	—
Unirenta	DM34.61	40.80	+0.20	—

Unit Trust Services (Jersey) Ltd.
PO Box 199, St Helier, Jersey. 0534 72936

Target MCF	$11.75	117.50	2.35

PO Box 443, St Helier, Jersey 0534 75141

Indy Growth Fund	9.11	9.63

United Fund Managers Ltd
GPO Box 590, Hong Kong 5 231417

S & Mkt T	6.14	6.07	10.85

Viking Fund—SICAV
20, Boulevard Emmanuel Servais Luxembourg
NAV December 11 Lux 100.51

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect.	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	10	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	78	**Oils**	
Guardian	60	Brit. Oil & Mar	5½
GKN	20	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

London to start tanker rate futures in February

By Our Commodities Staff

LONDON'S BALTIC International Freight Futures Exchange (Biffex), which has been operating a futures market in dry cargo freight rates since May, is to launch a sister contract in tanker rates next February.

Following the Biffex Board's unanimous decision to go ahead with the tanker futures plan yesterday its chief executive, Mr Stephen Carter, said he was confident that the tanker rate index on which the contract will be based would prove as good a market measure as had the dry cargo index which the original contract operates.

Tanker futures contracts will be settled in cash against the index, which will be based on medium size dirty tankers and will be published from early next month to allow trade familiarisation.

● DIAMOND futures trading in London has come a step closer with the establishment by the formation committee of the proposed London International Diamond Futures Market of an assay office in Antwerp, it was announced yesterday. The committee is conducting an evaluation of the latest technical methods for assaying diamonds which could form the basis for settlement of contracts traded on the proposed market.

● THE US Commodity Futures Trading Commission's plans to discuss a number of new contract proposals yesterday were scuppered when it had to cancel its weekly meeting because the failure of Congress to pass an Appropriations Bill had left the agency technically without funding or authority to act.

Contracts which should have been discussed included a cocoa futures option, a frozen concentrated orange juice option and a European Currency Unit futures contract. The meeting has not yet been rescheduled.

● CHINA'S grain harvest this year will be between 375m and 390m tonnes, down from 407m last year, according to Western diplomats in Peking, reports Reuter. But following four successive years of record production stocks are high and the country will again be able to increase exports, they added.

EEC ministers dash hopes of tin crisis settlement

BY QUENTIN PEEL IN BRUSSELS AND STEFAN WAGSTYL IN LONDON

EUROPEAN COMMUNITY countries yesterday failed to agree on a joint stand in the tin market crisis, dashing hopes of rapid moves towards a settlement when the International Tin Council reconvenes today.

EEC Foreign Ministers meeting in Brussels failed to reach any agreement to give the European Commission a mandate to negotiate on their behalf in the Council.

WEST GERMANY, France and the Netherlands refused to back a British initiative to set up a joint position, in an effort to break the deadlock between the ITC and its creditors. The tin council, which runs a price support pact on behalf of 22 governments, has run out of money owing hundreds of millions of pounds to its bankers and brokers of the London Metal Exchange.

West German officials maintained the determination of Bonn to reject any liability for the financial crisis of the ITC. They said that even to give the Commission power to negotiate for the Community as a whole would be tantamount to accepting the need for a settlement.

Bonn would still be prepared to consider any initiative "by the other side—the banks, brokers and tin producers," a West German official said.

"We are at their disposal to discuss, but not on the basis of formal recognition of liability."

The UK, represented at the meeting by Mr Paul Channon, the Trade Minister, had sought agreement amongst the EEC "to assume collectively a certain responsibility in order to create a soft landing for the ITC," according to another official in attendance.

"The Commission has simply been told to sit on its hands. Certain delegates made it clear that the correct posture for the Commission is to do nothing," he added.

In London, ITC delegates from other countries said that the news from Brussels virtually killed off the prospects of setting up a working party to negotiate with the creditors, as had been informally suggested last week. "It's no negotiations," said one. "I don't really know what happens next."

Other members had been looking for the EEC to take the initiative in proposing negotiations with the creditors, since it is the single largest group with its members accounting for almost 25 per cent of ITC financing.

LME brokers, who had hoped to start negotiating with the tin council later this week were very disappointed. "We do not understand what they are playing at," said one.

The EEC decision means that the LME, which has kept tin trading suspended since October 24, could now be forced to re-open the market without a settlement. Prices would almost certainly collapse far below the £8,140 a tonne suspension price. In unofficial trading in London yesterday tin was changing hands at £6,400 to £6,500 a tonne, but it could fall far lower if the ITC's stockpile flooded the market.

Overproduction put at 15%

BY STEFAN WAGSTYL

TIN PRODUCERS need to cut production by at least 15 per cent to match world demand for the metal, a London conference on "The Market For Tin" was told yesterday.

Mr David Williamson, director of metal research for broker Shearson Lehman Brothers, said that if export quotas imposed by the International Tin Council were lifted world production would total some 220,000 tonnes a year—or 35,000 tonnes above demand.

This took no account of the stocks of 100,000 tonnes or so in the hands of the ITC and others, he said. "Tin prices must fall to a level where severe production cutbacks take place."

Producers in Malaysia, Indonesia, Thailand and Brazil could exist with prices at around £6,000 a tonne, but mines in Bolivia and in Cornwall were vulnerable with production costs over £7,500 a tonne.

Mr Williamson forecast that prices would therefore have to fall below £6,000 a tonne before necessary cuts in production were made.

Initially, consumers short of metal might buy at this price when trading resumed, he said. But this would probably not last long since consumers would expect lower prices. The way the ITC stocks were sold would also influence the market—export controls would have to stay in place if only to prevent the early release of minehead stocks.

"In a total free-for-all situation prices could well fall below £6,000 a tonne and may be hard put to average even £5,000 for both 1986 and 1987," said Mr Williamson.

Mr Reg Eccles, managing director of Metals and Minerals Research Services, a UK research company, presented a rather more optimistic outlook to the conference.

He said the tin crisis was not due to continuing oversupply but to a massive stock accumulation between 1979 and 1982 and the ITC's failure to eliminate this. Over the past 18 months supply and demand had roughly been balanced.

The industry had to consume surplus stocks relatively quickly if it was to avoid a prolonged period of price weakness or profound long-term problems, said Mr Eccles.

A price of £5,000 to £6,500 a tonne was likely to remove the excess in two or three years. But a price of about £5,000 a tonne would probably lead to significant production cuts since only about 40 per cent of 1984 output was economically viable at this price.

Mr Eccles estimated that the average cost of production was the equivalent of £6,500 to £7,000 a tonne. A long-term tin price of below £7,500 a tonne might be enough to ensure supplies if non-commercial production continued. But a price of between £7,500 and £8,250 a tonne was needed to assure supply.

METAL BOX, Britain's leading packaging company, is under pressure to freeze its prices of food cans until the world tin market has settled down, writes Maurice Samuelson.

Yesterday, it received a public appeal by the UK Food Manufacturers' Federation not to insist on its earlier demand for a 3.5 per cent price rise. The federation said that American Can, another major supplier, had delayed a price decision for the same reason and that the British Steel Corporation would not seek any price review for tinplate until a new tin reference price for 1986 had been set.

"When the tin market reopens the tin price could be so low that the can makers may not have to face any increase in the cost of their main raw material, tinplate," the federation said.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,740-2,800.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.40-3.80.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.73-0.77, sticks, 0.78-0.82.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 10.75-10.95.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 250-260.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.58-2.68.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.90-7.10.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 55-63.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.15-2.20.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.75.

Australia lashes out at US over wheat subsidies

BY PATRICIA NEWBY IN MELBOURNE

THE US Government's wheat export subsidisation policies have cost Australia A$1.32m (£630,000) through lower prices in the Yemen, according to the Australian Wheat Board (AWB).

The board claims it had to lower prices by that figure in two recent Yemen wheat tenders for a total of 100,000 tonnes in order to gain the business in competition with US wheat being offered under the Export Enhancement Programme (EEP). Under the programme, which is intended to retaliate against subsidised EEC sales, US exporters are enabled to receive payment in costs by the provision of free supplies from the country's surplus stockpile.

The AWB chairman, Sir Leslie Price, said the Yemen example showed how loosely the Americans were interpreting their own anti-EEC guidelines when implementing the US$1bn scheme.

Although the EEC has sold wheat flour to the Yemen, the wheat grain market has been virtually 100 per cent Australian.

He also lashed out at what he described as "underhanded methods" being used by the US which apparently encouraged the Yemen to go to tender without informing Australia. It was only by chance that Australia heard of the second 50,000 tonne tender and was able to participate and ultimately conclude the deal.

North Sea crude oil prices down

By Richard Johns

RATES FOR Brent Blend, the key North Sea crude, dropped by over a dollar yesterday largely in response to reports that Mexico is about to adopt a market-responsive pricing policy, according to traders.

Brent Blend for January was at a buyer-seller range of $25.15-25.30 a barrel compared with $26.20-26.35 on Monday. One deal was reported to have been done as low as $25.05.

Texas West Intermediate was also down from $27.50-27.60 in generally thin trading. On the products spot market gas oil fell by $11 per tonne to $256-257.

Rebuilding the Mediterranean tree line

Olli Virtanen on prospects for reversing the desertification of Southern Europe

GENERALISSIMO FRANCO may have had a lot of faults but for one thing he was widely acclaimed. He planted trees.

The programme he began in the early 1940s required 100,000 hectares of trees to be planted in Spain annually. After his death the figure soon dropped to 50-60,000 hectares and after allowing for the deliberate burning of forests the net increase now runs at about 30,000 hectares a year, compared with 90,000 during the Franco era.

The Mediterranean countries urgently need more forests. The Sahara effect that in Africa creeps southward at the pace of up to 5 kilometres a year, has made a strong impact in Southern Europe, too.

According to a study on forest resources in Europe made by the Finnish forestry expert Mr Kullervo Kuusela, about 25 per cent of the total land area of Spain suffers from severe erosion and another quarter is subject to mild erosion. If the situation is allowed to deteriorate the damage could well exceed the effects of the well publicised "acid rain" phenomenon.

Spain, due to its proximity to the Sahara, is the worst case but the problem is also hitting Portugal, Southern France, Italy, Greece and Turkey.

Forests are important for two things. First they keep up the environmental balance, by regulating the water table and moisture of soil, by reducing the erosive power of the wind, and keeping the air fresh and rich in oxygen.

Secondly forests are an ideal source of raw material. All Mediterranean countries are net importers of forest products. Developing domestic forestry and forest industries would reduce the need for imports and could even yield foreign currency earnings.

According to a widely approved guideline the ideal forest cover in any country would be approximately 30 per cent of the land area. In Spain the figure is 14 per cent, in Portugal 29 per cent, in Italy 22 per cent, in Greece 19 per cent and in Turkey 11 per cent.

The potential is there to correct the situation in the Mediterranean region, says the Finnish study. Forests in the region are poorly managed, their yield is low and most importantly, clearing woodland increases its value.

The annual growth per hectare in the Mediterranean countries is approximately 1 cubic metre of timber a year. The EEC average is 2.5 cu m while in the cold of Finland, for example, it reaches 2.4 cu m.

The land area suitable for tree plantation is estimated at 10m hectares in Spain, 2m in Portugal, 3.2m in Greece, 7.5m in Turkey, 2.4m in Italy and 2.7m in Yugoslavia.

The best economical result would be planted by planting fast growing species. And this is the point that has attracted most local opposition.

Proponents of afforestation would bring in "exotic" species such as eucalyptus and various species of pine. Environmentalists say that eucalyptus would destroy the soil, deplete water resources and destroy much of the fauna and micro-organisms.

This is countered by the argument that eucalyptus is one of the very few species that would grow in areas which suffer from erosion. Initially the species would consume water resources but in the long run, it is claimed, they would have a balancing effect on the water table.

In Spain, there are 6.5m hectares of commercial forests of which 3.5m hectares have been planted since 1940, including 400,000 hectares of eucalyptus. Studies made in the country do not back the notion that such plantings would be harmful to the local environment in the long run.

At the moment, however, forests are being burned down at an increasing pace in most of the Mediterranean countries to meet the need for more and more grazing land. The value of grazing in Spain is now some 2.5 times higher than the value of woodland.

This means that forests must be made more profitable to land owners than burning them for pasture or extensive agriculture.

Forest industries in the Mediterranean countries are very inefficient.

In Spain 300,000 forestry and forest products workers produce about 12.5m cubic metres of wood a year. In Sweden annual production totals 60m cubic metres but only 113,000 workers are needed.

Trees that are planted for urgent environmental purposes, argues the Finnish study, would also serve as a raw material source for the forest industry. EEC countries will, according to an estimate by the Finnish forest industry consultancy group Jaakko Pöyry, run a wood raw material deficit of 11-14m cu m a year by the year 2000 depending on the level of destruction of forests due to acid rain in Central Europe).

If the domestic raw material supply can be secured, the existing forest industry installations modernised and new capacity built, the increased efficiency will guarantee higher wages in the industries and consequently in the country side too, goes the theory. The local population would therefore be less dependent on grazing.

LONDON MARKETS

THE COFFEE futures market remained the star turn of the London commodity markets yesterday. Continued speculation about the level of damage done to Brazil's crop by this year's four-month drought boosted the March position to a 19-month high of £2,500 a tonne before hitting resistance. Then heavy profit-taking and stop loss sales pushed the market down. But it quickly found support and the price ended £108.50 up on the day at £2,432.50 a tonne. On the London Metal Exchange aluminium prices lost a sizeable chunk of Monday's sharp gains but still ended the day with what dealers described as a reasonably steady tone. They attributed the fall, which left the cash position £21.50 down at £771 a tonne, partly to firmer sterling against the dollar and partly to a wave of selling believed to be on behalf of Japanese interests. The setback was not unexpected, they said, adding that the bull trend remained undented.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial + or close (p.m.) £ per tonne	+ or −	High/low
Cash	770.5-1.4	−31.5	770/760
3 months	786-7	−31	819/774

Official closing (am): Cash 770-1 (774-5); three months 786-7 (788-800); settlement 771 (774.5). Final Kerb close: 798-800. Turnover: 53,700 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	975.5	−10	984/983.5
3 months	993-.5	−8.25	1003.5/99

Official closing (am): Cash 983-5 (984-5); three months 1,003-.5 (1,005-10); settlement 985 (984.5). Final Kerb close: 999-1,000.

Cathodes			
Cash	957-60	−32	—
3 months	977-80	−10	990/990

Official closing (am): Cash 971-3 (979-80); three months 990-1 (993-5); settlement 973 (980). Turnover: 29,250 tonnes. US Producer prices 67.5-71.5 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	274.5-5.5	−1	277/275.5
3 months	282.5	−1	285/281

Official closing (am): Cash 275.5-6 (273.5-4); three months 282.5 (280-5); settlement 276 (274). Final Kerb close: 283-84. Turnover 16,000 tonnes. US Spot 19.5-20 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	3075-80	−12.5	3080/3085
3 months	3100-10	−7.5	3100/3085

Official closing (am): Cash 3,075-80 (3,029-30); three months 3,090-100 (3,060-5); settlement 3,080 (3,030). Final Kerb close: 3,080-90. Turnover: 1,572 tonnes.

ZINC

Highgrade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	504.5-5.5	+2	490/489
3 months	507-9	+3.5	511/497.5

Official closing (am): Cash 503-4 (487-9); three months 506-7 (489-91); settlement 504 (489). Final Kerb close: 510-11. Turnover: 13,650 tonnes. US Prime Western: 35-35.75 cents per pound.

GOLD

Gold rose $2¼ an ounce from Monday's close in the London bullion market yesterday to finish at $321¾-322. The metal opened at $321-321½ and traded between a high of $322¼-323 and a low of $320¼-321. A weaker trend during the morning was reversed as the dollar reacted to a surprise fall in US housing starts.

GOLD BULLION (fine ounce)	Dec 16	
Close	$321¾-322	(£223½-224)
Opening	$321-321½	(£222½-223)
M'n'g fix	$321.90	(£223.031)
Aft'n'n fix	$321.15	(£222.943)

GOLD AND PLATINUM COINS

Kr'g'rnd	[illegible]	[illegible]
½ Krug.	[illegible]	[illegible]
¼ Krug.	[illegible]	[illegible]
1/10 Krug.	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
½ New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
$20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 4.3p an ounce higher for spot delivery in the London bullion market yesterday at 410.6p. US cent equivalents of the fixing levels were: spot 590.25c, up 6.05c; six-month 613.25c, up 7c; 12-month 635.1c, up 7.25c. The metal opened at 408¼-409½p (588-590c) and closed at 409¼-409½p (585-587c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unofficl	+ or −
Spot	410.60p	+4.30	409.50p	−5.5
3 months	421.80p	+4.80	419.5p	−5
6 months	431.70p	+4.65	—	
12 months	450.20p	+4.75	—	

LME—Turnover: 44 (12) lots of 10,000 oz. Three months high 420.5p, low 420p, final kerb 414-5p.

MEAT

Prices closed little changed in lacklustre conditions, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	103.00	101.90	—
April	103.10	103.00	—
June	99.30	100.00	100.00-99.50
Aug	98.50	98.00	—
Oct	104.50	104.20	—
Nov	105.50	105.40	—

Sales: 2 (23) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.88p per kg lw (−4.29). GB—Sheep 170.37p per kg est dcw (+12.22). GB—Pigs 77.48p per kg lw (−3.02p).

INDICES

FINANCIAL TIMES

Dec. 17	Dec. 16	M'th ago	Year ago
[illegible]	[illegible]	[illegible]	290.15

(Base: July 1 1952 = 100)

REUTERS

Dec. 18	Dec. 13	M'th ago	Year ago
1781.0	1775.9	1736.9	1905.1

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Dec. 16	Dec. 13	Month ago	Year ago
Spot	131.19	122.46	—	123.03
Fut.	128.20	127.05	—	125.11

(Base: December 31 1974 = 100)
* Not available due to suspension of tin LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 17 1985	+ or −	Month ago
METALS			
Aluminium	£1200		£1100
Free Mkt	$1165/95	−5	$985/1015
Copper			
Cash h Grade	£976.25	−10	£956.5
3 mths	£993.25	−9.25	£976.0
Gold troy oz	$321.75	+2.25	$324.5
Lead Cash	£276	−1	£274.0
3 mths	£282.25	−1	£276.25
Nickel			
Free Mkt	200-220c	+5	185/195c
Palladium oz	$94.60	+1.50	$100.35
Platinum oz	$332.25	+0.25	$335.25
Quicksilver	$260/270	−5	$280/285
Silver troy oz	410.60p	+3.00	426.05p
3 months	421.80p	+4.80	437.85p
Tin	‡		‡
3 months	‡		‡
Tungsten	£67.77		£70.28
Wolfram 22.4lb	$56/64		$60/65
Zinc	£507.5	−1.0	£418.5
3 months	£505.5	+2.5	£422.5
Producers	$580/678		$660/675
OILS			
Coconut (Phil)	$412.5x	−7.5	$400x
Palm Malayan	$400z		$372.5
SEEDS			
Copra Phil	$248x		$250
Soyabean (U.S.)	$222.5	+1.0	$210.5
GRAINS			
Barley Fut. Mar.	£113.75	−0.10	£111.05
Maize	£134.50		£136.0
Wheat Fut. Mar.	£115.40	−0.10	£113.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1744.5	+15	£1670.5
Coffee Ft. Mar.	£2432.5	+108.5	£1664
Cotton A Index	46.90c	−0.50	48.20c
Gas Oil Feb.	$229	−9.5	$265
Rubber (kilo)	57p		56p
Sugar (raw)	$143x	−1	$133.5
Wooltops 64s	400p kilo		398p kilo

‡ Unquoted. x Dec-Jan. y Feb. z Jan. † Per 75 lb flask. c Cents per pound.

COCOA

In light trade futures moved over a £23 range and closed on a firm note. Little physical interest was seen as both producers and consumers remained withdrawn, however some limited second-hand bean trading was posted, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or −	Business done
Dec.	1700-1705	+16.0	1705-1685
March	1744-1745	+15.0	1751-1726
May	1759-1760	+15.5	1765-1744
July	1774-1775	+10.5	1778-1761
Sept.	1790-1791	+16.0	1792-1775
Dec.	1790-1795	+15.0	1792-1780
March	1800-1810	+16.0	—

Sales: 2,027 (1,890) lots of 10 tonnes. ICCO indicator prices (US cents per pound). Daily price for December 17: 108.04 (107.34); five-day average for December 18: 107.54 (107.47).

COFFEE

Aggressive trade and commission house buying sent values soaring again. With New York locked limit-up, spill-over buying kept levels steady until late profit-taking pared the gains.

COFFEE	Yesterday's Close	+ or −	Business Done
Jan.	2375-2385	+125.5	2445-2280
March	2430-2435	+108.5	2500-2340
May	2477-2480	+104.5	2545-2400
July	2520-2525	[illegible]	2585-2468
Sept.	2570-2580	[illegible]	2630-2515
Nov.	2610-2620	[illegible]	2660-2580
Jan.	2615-2700	[illegible]	[illegible]

Sales: 20,808 (14,755) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for December 16: Comp. daily 1979 172.17 (163.87); 15-day average 153.62 (151.56).

FREIGHT FUTURES

Although good trade based participation was seen in the October 1986 position the market remained in its recent narrow range. Physical levels were unchanged with very little business being reported. Minor gains were made later in the day, reports Clarkson Wolff. The Baltic Freight Index was 804, down 2.5.

	Close	High/Low	Prev.
Jan.	880/883	881/879	878/881
April	857/859	930/933	931/933
July	820/835		810/830
Oct.	910/915	915/915	915/920
Jan.	940/949		910/996
April	970/990		975/985
July	875/...		870/890
Oct.	950/1000		950/1000

Turnover: 115 (12).

GRAINS

The markets were again seasonally quiet, with values tending to drift. Wheat found user support at lower levels in otherwise featureless trading. New crops remained steady on fob interest, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterday's close	+ or −
Jan.	113.65	−0.05	110.70	−0.10
Mar.	115.40	−0.10	113.70	−0.15
May	117.70	−0.05	115.95	−0.05
July	120.40	−0.10	—	—
Sept.	101.90	−0.10	99.30	−0.10
Nov.	102.10	+0.10	101.95	−0.10

Business done—Wheat: Jan 113.80-3.65, March 115.40-5.35, May 117.80-7.70, July 120.40-0.30, Sept 102.05-1.90, Nov 102.10-2.00. Sales: 86 lots of 100 tonnes. Barley: Jan 110.80-10.70, March 113.85-3.75, May 115.95 only, Sept 99.30 only, Nov 101.95 only. Sales: 20 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 14 per cent: Dec 136.75, Jan 139.50, Feb 140.30, March 141.20 transhipment East Coast. US No. 2 Soft Red Winter Jan 124.25, Feb 124.50, March 125. EEC French Jan 116 sellers. English Feed fob Dec 113.25, Jan/March 116.50-117.50, April/June 121.50 sellers. Barley: English Feed Dec 112.00-112.50. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: N West 105.30. The UK monetary coefficient for the week beginning Monday December 23 (based on HGCA calculations using five days' exchange rates) is expected to be 1.018.

JUTE

JUTE—Raw: Dec/Jan c and f Dundee BTC $470, BWC $470, BTD $435, BWD $435, c and f Antwerp BTC $435, BWC $450, BTD $470, BWD $410. Products: c and f Dundee ex-India Dec/Jan shipment 40 in 10 oz £16.01, 40 in 7.5 oz £12.31; B twills £43.86.

US MARKETS

PRECIOUS METALS came under scattered pressure in response to dealer selling linked to renewed weakness in energy prices, reports Heinold Commodities. Copper and aluminium suffered sharp losses on arbitrage selling and profit-taking following sharp gains. Sugar came under modest pressure on the lack of fresh physical inquiry. Despite a decline in Bahia arrivals cocoa values moved slightly lower on arbitrage selling and a lack of speculative interest. Coffee remained limit-up on Brazilian crop concern. Cotton traded mixed with spreading and profit-taking featured. Expectations of a large stock build up in the weekly trade report along with reports that Mexico is considering a cut in its crude oil price led to sharp losses in the energy complex.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	51.05	—	—	53.25
Jan	51.30	—	—	53.55
Feb	51.70	—	—	52.25
March	52.05	53.25	52.05	54.30
May	52.65	53.80	53.15	54.90
July	53.30	54.30	54.25	55.50
Sept	53.95	—	—	56.15
Dec	54.95	—	—	57.14
Jan	55.25	—	—	57.45
March	55.90	—	—	58.10

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2224	2258	2215	2236
May	2271	2297	2285	2276
July	2290	2313	2290	2293
Sept	2320	2330	2325	2318
Dec	2328	—	—	2326
March	2343	2365	2365	2341

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	203.70	—	203.00	202.00
March	207.96	207.96	207.96	201.96
May	211.60	211.60	211.60	206.60
July	215.80	215.80	215.80	209.80
Sept	219.14	219.14	219.14	213.14
Dec	223.67	223.67	223.67	217.57
March	224.00	—	—	218.00
May	226.50	226.50	226.50	220.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Dec	64.50	66.10	63.55	64.40
Jan	63.70	66.10	64.10	64.55
Feb	64.00	—	—	64.40
March	64.25	64.85	64.15	65.15
May	64.50	65.10	64.40	65.30
July	64.70	65.25	64.00	65.40
Sept	64.80	66.40	65.15	65.55
Dec	65.20	65.70	65.50	65.75
Jan	65.30	—	—	65.85
March	66.50	—	—	66.00

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	61.47	61.60	61.12	61.48
May	61.22	61.25	60.95	60.86
July	58.79	58.85	58.60	58.70
Oct	50.56	50.80	50.75	50.60
Dec	48.84	48.90	48.60	48.43
March	49.35	—	—	49.27
May	49.65	—	—	50.02
May	61.22	61.25	60.95	60.56
July	58.79	58.85	58.80	58.70
Oct	50.56	50.96	50.75	50.60
Dec	48.84	48.90	48.80	48.43
March	49.35	—	—	49.27
May	49.65	—	—	50.02

CRUDE OIL (LIGHT) 42,000 US gallons—$/barrels

	Latest	High	Low	Prev
Jan	26.35	26.85	26.80	27.27
Feb	25.05	25.60	25.01	26.01
March	24.24	24.71	24.15	25.15
April	23.70	24.00	23.67	24.57
May	23.35	23.88	23.20	24.17
June	23.10	23.42	22.95	23.92
July	22.95	23.10	22.95	23.67
August	22.70	22.00	22.45	23.45
Sept	22.65	22.85	22.50	23.26
Oct	22.50	22.50	22.50	23.11

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Jan	76.90	78.40	76.80	79.28
Feb	75.59	76.40	75.59	77.59
March	70.34	71.25	70.34	72.34
April	65.91	66.90	65.91	67.91
May	63.00	63.70	63.00	65.00
June	62.50	63.40	62.50	64.50
July	62.80	63.50	62.50	64.50
August	62.10	63.00	63.00	63.35
Sept	—	—	—	63.80
Oct	62.80	—	—	63.80

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	120.26	128.75	118.75	123.75
March	122.75	131.65	121.65	126.65
May	123.25	131.50	122.30	127.30
July	124.25	133.40	123.40	128.40
Sept	123.25	124.00	124.00	127.25
Nov	124.00	—	—	128.00
Jan	124.25	—	—	128.25
March	124.75	—	—	128.50
May	124.75	—	—	127.50

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	320.9	322.0	320.8	321.6
Jan	322.2	—	—	323.2
Feb	323.6	325.6	323.5	324.9
April	327.5	329.5	327.1	328.6
June	331.4	333.6	330.5	332.9
August	335.3	338.9	336.5	336.6
Oct	339.4	341.0	340.2	340.6
Dec	343.6	345.1	345.5	345.7
Feb	347.8	—	—	349.4
April	351.9	—	—	353.7
June	356.6	—	—	358.0
August	361.2	361.6	361.5	361.2
Oct	366.6	—	—	367.5

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	331.4	332.0	332.0	333.9
Jan	332.2	335.6	331.7	334.9
Feb	333.2	—	—	336.9
April	336.5	341.0	336.0	338.5
July	339.9	343.5	338.5	343.0
Oct	343.6	347.0	343.0	346.7
Jan	348.6	353.0	353.0	351.7

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	577.7	586.0	579.0	581.5
Jan	579.5	586.0	586.0	583.7
Feb	583.6	—	—	587.0
March	587.6	602.0	587.0	601.0
May	594.9	610.0	604.0	608.4
July	602.5	618.5	602.0	616.3
Sept	610.3	623.5	609.9	624.3
Dec	622.1	639.0	620.0	638.4
Jan	626.3	—	—	640.7
March	634.6	645.0	633.6	649.3

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	4.26	6.50	6.23	6.31
May	6.44	6.57	6.44	6.53
July	4.58	4.78	4.58	4.78
Sept	6.73	6.90	6.70	6.81
Oct	6.88	7.07	6.87	6.96
Jan	7.10	—	—	7.08
March	7.45	7.65	7.45	7.53

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	64.65	66.50	64.22	65.20
Feb	60.70	61.65	60.56	61.20
April	60.52	61.35	60.95	60.45
June	60.70	61.30	60.15	60.72
August	59.76	60.27	59.05	59.60
Oct	58.50	59.25	58.50	58.55
Dec	60.05	60.60	60.05	60.05

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	48.77	49.15	48.30	49.20
Feb	46.00	47.20	46.60	47.25
April	41.60	42.40	41.70	42.32
June	44.42	44.50	44.30	44.72
July	44.65	45.00	44.60	44.92
August	43.72	44.00	43.60	43.91
Oct	40.15	40.37	40.05	40.20
Dec	41.25	41.25	41.10	41.17
Feb	41.47	41.47	41.47	41.67

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	250.0	251.2	249.4	250.4
March	250.4	251.4	249.6	250.6
May	254.6	256.4	254.0	255.9
July	256.6	257.4	254.4	255.4
Sept	240.2	241.0	238.0	239.2
Dec	229.4	230.0	226.0	226.2
March	236.4	235.8	232.4	232.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	66.30	67.65	66.20	67.20
March	65.65	66.80	65.45	66.50
May	66.75	66.70	65.70	66.50
July	66.32	66.30	66.20	65.60
Aug	62.22	63.30	62.00	63.20

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Jan	526.0	533.0	525.0	527.0
March	537.4	544.4	536.6	536.0
May	548.2	555.0	546.2	546.4
July	554.2	561.0	552.4	556.4
Aug	552.4	558.0	551.0	552.4
Sept	536.2	540.0	533.0	537.0
Nov	534.2	538.0	528.4	532.2
Jan	546.4	547.4	540.0	540.8
March	556.0	—	—	550.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	142.4	143.7	141.4	142.1
Jan	142.8	144.5	141.7	142.2
March	144.6	146.3	142.2	143.7
May	146.3	147.4	144.9	145.4
July	147.7	148.8	146.3	146.8
August	147.0	148.8	146.5	147.0
Sept	146.5	146.5	144.0	143.6
Oct	142.7	—	—	140.2
Dec	144.0	144.0	141.9	142.0
Jan	143.5	143.5	141.3	141.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	21.93	22.35	21.88	22.19
Jan	21.96	22.53	21.96	22.25
March	22.42	22.88	22.37	22.62
May	22.66	23.04	22.56	22.67
July	22.70	23.10	22.65	22.66
August	22.71	23.10	22.70	22.65
Sept	22.17	22.56	22.10	22.30
Oct	22.10	22.36	21.90	22.20
Dec	22.06	22.25	21.90	22.16
Jan	21.95	—	—	22.00

WHEAT 5,00 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Dec	346.4	349.4	345.2	346.6
March	344.4	347.0	342.4	348.2
May	323.4	326.4	322.2	325.4
July	292.0	294.0	290.6	292.0
Sept	292.2	293.0	290.5	292.0
Dec	303.2	303.5	301.4	303.0

POTATOES

The market opened virtually unchanged and in thin volume rose gradually, reflecting a slight rise in the physical market attributed to Christmas trade, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	81.80	81.30	82.00-81.50
Apr	81.80	89.90	81.90-80.00
May	97.80	95.80	98.00-96.50
Nov	74.00	74.00	—

Sales: 350 (131) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 30p down in quiet trading conditions, reports T. G. Roddick. Prices remained around opening levels throughout the day.

	Yesterday close £ per tonne	+ or −	Business Done
Dec.	—	—	—
Feb.	127.1-127.5	−0.85	—
Apr.	128.1-128.5	−0.30	—
June	125.8-126.0	+0.80	125.0
August	123.5-124.8	+0.05	—
October	124.5-126.8	—	—
Dec.	125.4-127.8	+0.10	—

Sales: 43 (96) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $143.00 (£99.00), down $1.00 (down £1.00) a tonne for December-January delivery. White sugar $176.50, down $7.00.

The market rallied $3 in the wake of the strong rise in coffee prices provoked by new fears over the drought in Brazil. However the higher levels could not be sustained, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar.	162.2-162.4	164.8-165.2	167.8-162.0
May	168.2-168.6	169.8-169.8	170.4-165.8
Aug	170.8-171.4	174.0-175.8	174.4-171.6
Oct	175.2-175.6	178.2-178.8	177.2-176.8

Sales: 2,043 (1,369) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £202.50 (£203.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for December 16: Daily price 5.62 (5.45); 15-day average 5.56 (5.55).

PARIS—(FFr per tonne): March 1390-1392, May 1418-1420, Aug 1475-1480, Oct 1515-1535, Dec 1530-1560, March 1585-1615.

OIL

Brent and WTI price falls late on Monday in the US continued yesterday but few deals were done. Levels started to recover before London closed. Nymex opened 51c down for February, and after touching limit-down had recovered to only 79c down by 1.30 pm EST. In the petroleum products market gas oil fell sharply, led down by the paper trade on continuing bearishness over future crude and product crises in general. Naphtha also fell in busy December trade as dealers tried to close positions before the Christmas break—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Jan.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	26.05-26.15	−0.50
Brent Blend	25.15-25.30	−1.05
W.T.I. (1pm est)	26.50-26.60	−1.00
Forcados (Nigeria)	26.70-26.90	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	260-263	—
Gas Oil	256-257	−11
Heavy fuel oil	132-135	—
Naphtha	230-231	−2.5

*December

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or −	Business Done
	$ U.S. per tonne		
Jan	236.50	−8.50	238.00-32.00
Feb	229.00	−9.50	235.00-25.25
Mar	210.00	−9.25	225.25-17.25
Apr	207.00	−0.50	212.00-07.00
May	198.50	−7.50	202.00-98.50
June	195.50	−8.50	202.00-95.50
July	194.75	−8.75	204.00-94.75
Aug	296.00	−9.00	202.00-96.00

Turnover: 7,072 (2,229) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel. (Close, change, business done); Index 26.48, +0.20; Jan 25.20-25.70, −0.85, 25.45-25.30; Feb 24.20-24.35, −1.025, 24.50-24.40; March 23.80-24.40, −0.60, untraded; April 23.60-24.20, −0.55, untraded; May 22.00-24.00, −1.30, untraded. Turnover: 408 (3) lots of 1,000 barrels.

RUBBER

PHYSICALS—The London market opened unchanged, attracted some covering interest throughout the day and closed quietly steady, reports Lewis and Peat. Closing prices (buyers): spot 57.00p (same); Jan 54.75p (same); Feb 55.25p (same). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg RSS No 1 was 180.5 (same) and for SMR 20 171.0 (same).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Interest fears depress dollar

The dollar lost ground in very thin trading yesterday amid renewed speculation of an early reduction in the US discount rate. Sentiment was influenced primarily by comments made by Mr Henry Kaufman, chief economist of Salomon Brothers, suggesting that the rate charged on short term Federal funds would fall and that the US discount rate would also be reduced.

The market was also affected by Friday's release of the US fourth quarter flash estimate on GNP, and what little participation there was appeared to be inhibited ahead of this figure. A two day FOMC meeting which ends today contributed further uncertainty as to how the US authorities would pitch their policy on interest rates. Against this background trading remained very thin and nervous with relatively small amounts sufficient to influence rates.

A lower than expected figure for US housing starts contributed to the dollar's bearish undertone and although there was no success at establishing the dollar below DM 2.50, the US unit still finished at its lowest level since May 1983 at DM 2.5110 from DM 2.5230 on Monday. Elsewhere it fell to Y201.85 from Y202.60, FFr 7.6650 from FFr 7.71575 and SFr 2.1010 compared with SFr 2.1125. On Bank of England figures, the dollar's exchange rate index fell from 127.4 to 126.8.

STERLING — Trading range 1.4885 to 1.0525. November average 1.4408. Exchange rate index closed at 78.5 down from an opening level of 78.9 and Monday's close of 78.8.

Sterling was easier against the dollar and European currencies in thin trading ahead of Christmas. A softer trend in oil prices was seen as the main factor influencing trading. The pound closed at $1.4365-1.4375 a fall of just 10 points. It was down against the D-mark at DM 3.6075 from DM 3.6275 however and Y290.0 compared with Y291.25. Elsewhere it slipped to SFr 3.02 from SFr 3.0375 and FFr 11.0150 from FFr 11.0975.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5110. November average 2.5926. Exchange rate index 130.3 against 121.8 six months ago.

Trading was quiet and uneventful ahead of the year end. Dealers in Frankfurt were resigned to coping with small year end demand only, with most participants already squared off ahead of the festive season.

Current speculation about a fall in the US discount rate was countered to some extent by a reluctance on the part of EMS central banks, notably the West German Bundesbank, to see any renewed pressure within the EMS normally associated with a stronger D-mark. An opportunity for traders to capitalise on central banks' desire to maintain current levels ahead of the French general election failed to materialise. The dollar was fixed at DM 2.5120 down from DM 2.5224 on Monday and there was no intervention by the Bundesbank. The dollar closed at DM 2.5060 from DM 2.5280.

£ IN NEW YORK

	Dec. 17	Prev. close
£ Spot	$1.4330-1.4400	$1.4385-1.4405
1 month	0.48-0.44pm	0.47-0.46pm
3 months	1.02-1.20pm	1.29-1.26pm
12 months	4.78-4.60pm	4.47-4.37pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Dec 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4320-1.4455	1.4365-1.4375	0.48-0.46c pm	3.92	1.34-1.30pm	3.67
Canada	2.0033-2.0180	2.0033-2.0069	0.50-0.42c pm	2.75	1.32-1.18pm	2.49
Nethlnd.	4.05¼-4.08	4.05¾-4.06¾	2¼-2c pm	6.10	5¾-5¼pm	5.81
Belgium	73.40-73.99	73.40-73.50	18-9c pm	2.21	49-30pm	2.12
Denmark	13.08½-13.14½	13.09½-13.10½	3½-2⅞ore pm	3.03	9½-8⅞pm	2.86
Ireland	1.1696-1.1751	1.1696-1.1706	0.21-0.08p pm	1.49	0.43-0.10pm	0.91
W. Ger.	3.59½-3.62½	3.60½-3.61½	2¼-2⅛pf pm	7.26	6½-6pm	6.72
Portugal	228.56-232.48	228.56-231.68	136-430c dis	−14.73	425-1220dis	−14.30
Spain	223.75-225.12	223.75-224.27	15-95c dis	−2.95	200-330dis	−4.73
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4320-1.4455	1.4365-1.4375	0.48-0.46c pm	3.92	1.34-1.30pm	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

CURRENCY MOVEMENTS

Dec. 17	Bank of England Index	Morgan Guaranty Change %
Sterling	78.5	−12.9
U.S. dollar	135.8	+10.1
Canadian dollar	81.1	−11.1
Austrian schilling	101.3	+0.9
Belgian franc	92.0	−9.7
Danish Kroner	83.4	−2.7
Deutsche mark	130.3	+11.4
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Dec. 17	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
H'kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxburg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S Af (Cm)	[illegible]	[illegible]
S Af (Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

EXCHANGE CROSS RATES

Dec 17	£	$	DM	YEN	F Fr.	S Fr.	H FL.	Lira	C $	B Fr.
£	1.	1.437	3.608	290.0	11.02	3.020	4.065	2456.	2.006	73.40
$	0.696	1.	2.511	201.9	7.665	2.101	2.824	1709.	1.396	51.10
DM	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]
H FL.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

CURRENCY RATES

Dec. 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
D mark	4	[illegible]	[illegible]
Guilder	0	3.08798	2.48930
French Fr	9½	N/A	8.70694
Lira	10½	N/A	1494.84
Yen	0	290.004	170.135
Norway Kr.	8	8.33041	6.67010
Span'h Pta.	—	109.976	130.180
Swedish Kr.	10½	8.36801	9.79502
Swiss Fr.	4	2.29836	1.83461
Greek Dr'ch	20½	N/A	130.989
Irish Punt	—	N/A	0.710705

* C$/SDR rate for December 13: 1.61535

EURO-CURRENCY INTEREST RATES

Dec. 17	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmrk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sng)	7⅞-8	7⅛-8⅛	8-8⅛	7⅛-7⅜	7⅛-7⅜	8⅛-8⅛

Long-term Eurodollars: two years 8¾-8½ per cent; three years 8¾-8⅞ per cent; four years 9-9¼ per cent; five years 9⅛-9½ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7448	−0.19	+1.74	±1.5425
Danish Krone	8.12857	7.96318	−2.03	−0.70	±1.6421
German D-mark	2.23840	2.19075	−2.13	−0.80	±1.1455
French Franc	6.86402	6.70694	−2.29	−0.96	±1.3654
Dutch Guilder	2.52208	2.46930	−2.09	−0.76	±1.5162
Irish Punt	0.724578	0.710706	−1.91	−0.58	±1.6673
Italian Lira	1520.60	1494.84	−1.69	−1.31	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Strong US bond

US Treasury bonds were very strong on the London International Financial Futures Exchange yesterday, breaking through to new contract highs, on further evidence of depressed economic activity. Bonds for March delivery opened at 83-31, and although this was above the previous close it was only slightly higher than the day's low of 83-28. Trading was fairly quiet until publication of November US housing starts. These fell by 12.2 per cent to 1.55m, and are expected to keep down demand for home loans, helping to reduce the general level of interest rates.

The housing starts figure pushed March bonds to a peak of 84-30, and the contract closed at 84-22 compared with 83-05 on Monday.

Eurodollar futures moved in reluctant sympathy with bonds, opening at 92.33 for March delivery, the low of the day, and finishing at 92.38, just below the day's high of 92.39, and compared with 92.25 previously.

The injection of $1bn of temporary reserves into the New York banking system by the Federal Reserve, by customer repurchase agreements, when Federal funds were trading at only 7½ per cent came too late to influence trading on Liffe, but dealers suggested that prices already reflect expectations of an early cut in the Fed's discount rate.

Gilts futures were quiet for most of the morning, but gained some support from the improvement of sterling against the dollar. March gilts opened at 111-04, and touched a peak of 111-09, rising with US bond futures after publication of the US housing starts. The UK public sector borrowing requirement of £702m in November was regarded as satisfactory and encouraged buying, but profit-taking and a weakening of the pound in the afternoon took the contract down to 110-28 at the close, against 110-30 on Monday. Three-month sterling deposit futures continued to suffer from the lack of any prospect of an early cut in bank base rates, closing little changed on the day.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4370	1.4323	1.4238	1.4110	1.3908

IMM—STERLING $ per £

	Latest	High	Low	Prev
March	1.4250	1.4286	1.4230	1.4205
June	1.4150	1.4156	1.4100	1.4185
Sept	1.4035	1.4056	1.4005	1.4075
Dec	—	—	—	1.4370

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

	Dec 17	Previous
8.30 am	78.8	78.7
9.00 am	78.9	78.7
10.00 am	78.8	78.8
11.00 am	78.8	78.8
Noon	78.6	78.8
1.00 pm	78.5	78.8
2.00 pm	78.6	78.8
3.00 pm	78.6	78.9
4.00 pm	78.5	78.8

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	[illegible]	—	—	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	—	—	[illegible]
Sept	[illegible]	—	—	[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

THREE-MONTH STERLING £500,000 points of 100%

FT-SE 100 INDEX £25 per full index point

THREE-MONTH EURODOLLAR $1m points of 100%

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

CHICAGO

US TREASURY BONDS 8% $100,000 32nds of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

CERT. DEPOSIT (IMM) $1m points of 100%

US TREASURY BILLS (IMM) $1m points of 100%

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

MONEY MARKETS

London rates hold steady

Interest rates showed little movement on the London money market. Three-month interbank was unchanged at 11⅝-11¾ per cent, and discount houses buying rates for three-month bank bills were steady at 11$\frac{5}{32}$ per cent.

The Bank of England initially forecast a money market shortage of £300m, but revised this to £400m at noon and to £450m in the afternoon. Total assistance was only £360m.

Before lunch the authorities bought £87m bills outright, by way of £3m bank bills in band 1 at 11⅞ per cent; £32m bank bills in band 2 at 11$\frac{13}{16}$ per cent; £2m Treasury bills in band 3 at 11¾ per cent; £31m bank bills in band 3 at 11¾ per cent; and £19m bank bills in band 4 at 11$\frac{11}{16}$ per cent.

In the afternoon another £168m bills were purchased outright, through £116m bank bills in band 2; £12m bank bills in band 3; and £40m bank bills in band 4 at unchanged rates.

Late assistance of around £105m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £209m, with a rise in the note circulation absorbing £205m, and bank balances below target another £65m. These outweighed Exchequer transactions adding £200m to liquidity.

In Brussels the Belgian National Bank raised interest rates on one, two and three-month Treasury certificates to 9.75 per cent from 9.05 per cent. It was the second rise in a week and is expected to be followed by an increase in bank rate today. The rise in Belgian interest rates is a move to ease speculative pressure on the franc, which has shown signs of weakening within the EMS. This is the result of the strength of the D-mark, and intervention by the Bank of France to keep the French franc in line with the German currency.

In Frankfurt the Bundesbank accepted bids of DM 8.7bn at yesterday's tender for a 35-day securities repurchase agreement, to add liquidity to the money market. This was slightly more than the DM 8.5bn draining from the market today as an earlier agreement expires. Banks will receive the money today, and be charged a rate of 4.60 per cent, unchanged from the most recent agreement of a week ago. Bids at the tender totalled DM 10.2bn. The net inflow of DM 200m is not expected to have any impact on interest rates. Call money remained at 4.30 per cent yesterday.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7$\frac{13}{16}$
Fed funds at intervention	7$\frac{13}{16}$

Treasury Bills & Bonds

One month	6.38
Two month	6.53
Three month	7.22
Six month	7.35
One year	7.42
Two year	7.92
Three year	8.13
Four year	8.38
Five year	8.49
Seven year	8.86
10 year	9.02
30 year	9.25

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 17)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 13/16	offer 7 15/16	bid 7 15/16	offer 7 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 17	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11¼-12⅛	11⅝-11⅞	11⅝-11¾	11⅝-11¾	11⅝-11¾	11½-11⅝
Sterling CDs	—	—	11⅝-11$\frac{11}{16}$	11⅝-11$\frac{11}{16}$	11½-11⅝	11$\frac{7}{16}$-11⅜
Local Authority Depos	11¼-11½	11⅝-11⅞	11$\frac{11}{16}$	11$\frac{11}{16}$	11⅝	11½
Local Author'y Bonds	—	—	12⅛	12$\frac{1}{16}$	12	11¾
Discount Mkt Depos.	11¼-12¼	11⅝-11⅞	11⅞	11¾	—	—
Company Depos.	11½-11⅞	11½-11¾	11⅝-11¾	11⅝-11¾	—	—
Finance Hse Depos.	—	—	11⅞	11⅞	11$\frac{11}{16}$	11⅝
Treasury Bills (Buy)	—	—	11$\frac{7}{16}$	11$\frac{5}{16}$	—	—
Bank Bills (Buy)	—	—	11⅝	11$\frac{5}{32}$	11$\frac{5}{16}$	—
Fine Trade Bills (Buy)	—	—	11⅞	11$\frac{9}{16}$	11$\frac{11}{16}$	—
Dollar CDs	—	—	7.85-7.90	7.75-7.80	7.75-7.80	7.80-7.95
SDR Linked Depos.	—	—	7$\frac{11}{16}$-8⅛	7⅞-8⅛	7$\frac{11}{16}$-8⅛	7$\frac{11}{16}$-8⅛
ECU Depos.	—	—	9⅛-9$\frac{5}{16}$	9$\frac{1}{16}$-9⅜	8$\frac{15}{16}$-9⅛	8$\frac{13}{16}$-8$\frac{15}{16}$

Treasury Bills (sell): one-month 11¼ per cent; three-month 11⅛ per cent. Bank Bills (sell): one-month 11$\frac{5}{32}$ per cent; three-month 11$\frac{7}{32}$ per cent. Treasury Bills: Average tender rate at discount 11.1583 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1, 1985. Bank Deposit Rates for sums at seven days' notice [illegible]. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 10½ per cent from December 12. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Dec. 17	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v'ntion
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.5
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Company Notices

UNILEVER N.V.
9¼% US$100m
Bond Loan 1979/1987

Notice is hereby given to the holders of the above mentioned bonds that, in accordance with Article IV of the Trust Agreement dated July 17th 1979, Unilever NV wishes to redeem the outstanding amount of the above mentioned loan in full on 17th February 1986. Such notice has already been given to the Trustee.

The principal of each bond, plus interest over the period from July 15th 1985 until February 17th 1986 being US$54.47, making in total US$1054.47 per bond, will be payable from February 17th 1986 at the offices of the paying agents listed below:

Principal Paying Agent
Amsterdam-Rotterdam Bank NV
595, Herengracht, Amsterdam

Paying Agents

Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002 Basel
Morgan Guaranty Trust Company of New York, 35 Avenue Des Arts, B-1040 Brussels
Credit Lyonnais, 19 Boulevard des Italiens, 75002 Paris
Midland Bank Limited, 60 Gracechurch Street, London EC3P 3BN
Citibank (Luxembourg) SA, 16 Avenue Marie Therese, Luxembourg
European American Bank and Trust Company, 10 Hanover Square, New York
Deutsche Bank Aktiengesellschaft, 10-14 Grosse Gallusstrasse, 6000 Frankfurt/Main

Unilever N.V.
Rotterdam
December 17th 1985

The Trustee
Nederlandsche Trust-Maatschappij NV
Amsterdam

Kingdom of Spain

US$ 100,000,000
Floating Rate Notes due 2000

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from December 17, 1985 to June 17, 1986 the Notes will carry an interest rate of 8,1125% p.a.

The interest payable on the relevant interest payment date, June 17, 1986 against coupon nº 1 will be US$410,13 per US$10,000 principal amount.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101½	99½	Exch 11¾pc 86	99⅞		11.76	11.71
99½	96¼	Treas. 10pcCnv 1986	99½		10.05	11.59
97⅛	92⅛	Treas 3pc 1986	97⅛		3.09	10.20
100	97½	Exch. 10½pc 1986	99½		10.55	11.61
101⅞	99⅞	Treas 12pc 1986	100¼		11.97	11.46
98½	94¼	Treas 8¼pc 1984-86‡‡	98⅛xd		8.62	11.24
105½	101⅞	Exch. 14pc 1986	101½		13.71	11.49
95½	87¾	Exch 2½pc 1986	95½	+½	2.63	7.98
104½	101½	Exch. 13¼pc 1987	101¾xd	+½	13.02	11.58
99½	96½	Treas 10½pcCv '87	98⅝		10.39	11.46
93⅞	85½	Exch 2½pc 1987	93⅝	+½	2.67	8.21

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1985 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
51¾	36	Amer Cyanamid $5	40⅝	+⅛	$1.90	—	3.1
40⅞	25¼	Amer. Express $0.60	37⅞xd	+⅛	$1.36	—	2.4
22½	11⅝	Amer Medical Int $1	13⅛xd	–⅛	72c	—	3.5
20½	14	American T & T. $1	17	+⅛	$1.20	—	4.7
79½	61⅛	Ameritech $1	72⅛	+⅛	$6.60	—	6.1
25	15½	Amtach	16⅝	+⅛	—	—	—
47p	20½p	♦AmtTecnl	32½p	+1	—	—	—
18½	919p	Bankamerica $1½	10⅛	+⅛	80c	—	5.0
60½	41⅛	Bankers N.Y. $10	51⅛xd	–⅛	$2.70	—	3.5
12½	477p	BASIX Corp	704pxd	+17	12c	—	1.1
80½	60⅝	Bell Atlantic $1	71⅝		$6.60	—	6.4
34½	26½	Bellsouth $1	33	+½	$2.60	—	5.7
19½	869p	♦Beth Steel $8	13⅛		—	—	—
24	14½	Bowater Inc	16⅞	+⅛	72c	—	2.9
42½	11¼	Brown'g-Fer 16⅔c	41⅞xd	–⅛	$1.38	—	2.1
37¼	23⅞	Brunswick Corp $	30⅞	–½	$1.00	—	2.2
39⅞	29½	CPC Intnl 25c	38½	+⅞	$2.20	—	4.1
25	16⅛	CSX Corp U S $1.00	21⅛	–⅛	$1.16	—	1.6
20	11⅛	CalFed Inc $1.00	19⅛	–⅛	32c	—	1.1
38⅞	25	Campbell Soup 30c	36½		$1.32	—	2.4
31⅞	23⅛	Caterpillar Tractor$	30	+⅞	50c	—	1.1
902p	533p	Centrgy Corp. 25c	539p		4c	—	0.5
52⅛	34⅞	Chase M'htn $12.5	48⅛	+⅛	$3.80	—	5.3
38⅛	23⅞	Chemical New York	32⅛xd	+⅞	$2.48	—	5.2
34⅛	22	Chesebrough-Pond's $1	31⅛	–⅛	$2.00	—	4.3
32⅛	24⅞	Chrysler $6¼	32⅛	+1⅞	$1.00	—	2.1
42⅞	27⅞	Citicorp $4	34⅞	+⅛	$2.26	—	4.4
10½	662p	CityFed Fin Corp.	791p	–9	40c	—	3.4
23⅞	18½	Colgate-P. $1	22⅞	+⅛	$1.36	—	4.0
57⅛	41	Colt Inds. $1	44⅞xd		$2.50	—	3.7
29½	19½	Com Freightways $0.625	29½	+⅞	$1.10	—	2.5
681p	460p	Cont'l Illinois Corp $1	617p	+17	—	—	—

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

DRAPERY & STORES—Cont.

ELECTRICALS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

IRISH

[illegible]

"Recent Issues" and "Rights" Page 26
(International Edition Page 30)

LONDON STOCK EXCHANGE

MARKET REPORT

Equities lose ground amid oil price uncertainty

FT index falls 10.4 to 1089.9

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 9	Dec 19	Dec 20	Jan 6
Dec 23	Jan 9	Jan 10	Jan 20
Jan 13	Jan 23	Jan 24	Feb 3

* "New-time" dealings may take place from 9.30 am two business days earlier.

Despite another strong overnight lead from Wall Street—the Dow Jones Industrial Average advanced to another record on continued hopes of a reduction in the Federal Reserve Discount Rate—London equity markets lost further ground yesterday. Government stocks, in contrast, made a slightly firmer showing, sentiment here being helped by an early improvement in sterling against the US dollar.

Blue chip industrials were inclined harder at the opening, but the initial improvement proved short-lived as potential investors again showed a marked reluctance to commit fresh funds and, for most of the morning session, quotations drifted gently lower. However, the tone deteriorated appreciably around midday as a few lines of stock came on offer, particularly in the Store sector.

A subsequent technical rally left leading equities a few pence above the worst, but underlying sentiment remained extremely sensitive against a backdrop of continuing oil price uncertainties. Illustrating the lunch time setback, The Financial Times Ordinary share index, extended a fall of only 4.5 at 11 am to one of 14.2 a couple of hours later before settling 10.4 down on the day at 1,089.9. Overall, selling was relatively light, but jobbers were reluctant to take stock of the Christmas holiday.

Government securities finished the day with small gains. Following the trend in sterling, long-dated stocks opened around ¼ higher, but soon began to drift back before receiving a boost from higher opening levels on the US bond market yesterday. Quotations, however, began to ease in the late dealings as sterling retreated against the dollar and rises which had extended to ½ at one stage were pared to only ¼ on balance. Gains in the shorts were usually limited to $\frac{1}{16}$.

Life issues down

The Government's latest pensions proposals prompted renewed weakness in Life issues. Legal and General dropped to 715p before closing a net 10 cheaper at 725p, while Sun Life lost 15 at 802p and Refuge fell 13 at 387p. Abbey Life gave up 7 at 190p as did London and Manchester at 845p. Equity and Law softened 5 at 233p and Pearl relinquished ½ at £12½. Recently firm Lloyd Brokers succumbed to profit-taking. Sedgwick declined 12 to 353p and Willis Faber shed 10 to 790p.

Licenced deposit takers *Chancery Securities* staged a successful debut in the Unlisted Securities Market; the shares opened at 66p and moved up to 70p before closing at 69p which compares with a placing price of 63p. USM-quoted Crusts were also firm and gained 6 to 86p, but J. S. Pathology encountered profit-taking and shed 8 to 240p.

Distillers were again out of favour and dipped 8 more to 480p following publication of the formal offer document from Argyll Group, 7 cheaper at 323p. Leading Breweries gave ground in subdued trading. Bass, 635p, and Allied-Lyons, 257p, dipped 10 and 6 respectively, while Scottish and Newcastle, recently foiled in its attempt to acquire Matthew Brown, fell 3 to 165p. Regionals traded similarly with Greene King particularly dull at 190p, a fall of 8.

Falls in the Building sector were generally modest and usually reflected the continued absence of buyers. Blue Circle softened a couple of pence to 553p and BPB Industries slipped 6 to 332p, while Tarmac lost 2 to 370p. French Kier were 5 off at 252p in the absence of any fresh takeover developments, but SGB improved 4 to 262p on the announcement that bidder BET had lifted its stake to 11.7 per cent; it was also announced that the Kuwait Investment Office holds a 6 per cent stake in SGB.

ICI opened a shade firmer in the wake of Wall Street's overnight advance, but subsequently drifted off to close 3 cheaper on balance at 731p. Laporte cheapened a couple of pence to 345p, while Plysu shed 6 to 181p following the interim results. W. Canning, a good market on Monday following news that Yule Catto had acquired a near 8 per cent stake, eased 3 to 90p. Elsewhere, Amersham International were dull at 276p, down 7.

Stores dip and rally

Stores reacted initially to renewed offerings as investors continued to express uncertainty over tax cuts. A selective rally developed during the afternoon, however, and most losses were sharply reduced. Gussies A, down to 804p earlier, closed only 2 off on balance at 815p, while Burton eased 3 to 540p, after 533p. The best performance of the day was recorded by British Home Stores which recovered from 328p to settle a net 2 higher at 346p. Buyers also displayed revived enthusiasm for BHS merger partner Habitat Mothercare which reverted to unchanged at 448p, after 440p. Among Mail-orders, Grattan fell 8 to 330p, having dipped to 326p earlier, while Freemans traded in similar vein and also finished at 330p, a net decline of 8, after 324p. Superdrug reacted afresh to nervous offerings in front of tomorrow's third-quarter figures and fell 12 for a two-day loss of 25 to 448p. Etam, 190p, and Gabicci, 96p, gave up 8 and 6 respectively.

Logica were outstanding among secondary Electricals, advancing to 172p on further consideration of the bid approach from Electronic Data Systems, the computer subsidiary of General Motors of the US, before closing 17 to the good at 154p. Micro Scopa jumped 10 to 125p in response to the annual results, while United Leasing gained the same amount to 247p following the better-than-expected first-half figures. News of the US word processor deal left Amstrad 6 dearer at 188p, after 192p, and Cifer added a couple of pence at 10p following details of the reduced deficit. CAP, with interim results scheduled for January 15, gained 13 at 193p. Stone International, on the other hand, fell 18 to 158p on acute disappointment with the interim results. Thorn EMI, 8 down at 399p, led the leaders lower.

Sellers held sway among Engineerings. TI continued to reflect fading hopes of a bid from Evered with a fall of 11 at 359p. *Liquidation of speculative positions* left Porter Chadburn 13 lower at 262p, while falls of 6 and 10 respectively were seen in Pegler-Hattersley, 326p, and Vosper, 225p. S. W. Wood, at 35p, lost the previous day's gain of 5. Mollins dipped 5 to 165p as the management buy-out bid lapsed and Arthur Lee gave up 4½ to 43p on further consideration of the preliminary figures.

Leading Foods fell away sharply before staging a minor rally. Cadbury Schweppes, which announced plans to sell its health and hygiene businesses on Monday, dipped 151p prior to closing a net 4 off at 154p, while United Biscuits, in the absence of any further bid developments, reacted to 242p, before settling a net 7 down at 245p. Profit-taking left Rowntree Mackintosh 11 S. & W. Berisford, still overshadowed by its British Sugar subsidiary's disappointing annual results, shed 5 more to a low for the year of 150p. Ranks Hovis McDougall gave up 5 to 161p, and Unigate eased 4 to 206p. Losses among food Retailers were relatively modest, but Watson and Philip fell 7 to 143p following disappointing annual figures.

Pilkington down

Miscellaneous industrial leaders made a dull showing as several sizeable lines of stock came on offer. Pilkington were vulnerable and closed 8 off at 310p, while Beecham gave up 7 at 323p and BOC relinquished 6 at 263p. Rank Organisation declined 10 to 430p and Hanson Trust cheapened 5 to 191p. Boots were resilient and rallied from an initial dull level of 246p to close a penny dearer on balance at 252p. Elsewhere, British Steam rose 14 to 164p in response to the better-than-expected interim results and R. Kelvin Watson firmed 7 more to 250p awaiting bid developments. British Aerospace gave up 8 to 440p following profit-taking and the recently firm Pearson lost 7 at 413p for the same reason. Perennial takeover favourite Metal Closures dropped to 138p, but rallied smartly to finish only a penny easier on balance at 148p.

Motor Components featured renewed support of Lucas Industries which advanced 9 more to 435p on further reflection of the chairman's confident statement at the annual meeting; the new nil-paid shares touched 73p premium before closing 10 up on balance at 70p premium.

Publishers trended easier. Associated Newspapers fell 30 to 940p, after 935p, while sellers also held sway in EMAP A, 8 off at 153p. Paper/Printings were also dull. Norton Opax fell 7 to 123p, and DRG 5 to 198p. A rare bright spot was provided by Bemrose which were marked 10 higher at 153p on consideration of the sale of its packaging operations to Low and Bonar.

Leading Properties moved against the generally dull trend. Light support left Land Securities a couple of pence dearer at 297p and MEPC the same amount better at 286p. Hammerson A hardened 5 to 465p and Slough Estates gained a penny to 152p. British Land touched 153p following the satisfactory interim results before closing unchanged at 152p. Secondary issues proved vulnerable to occasional selling. Caparo Properties, up 20 on Monday on news of the company's moves to expand its property development activities, encountered profit-taking and shed 6 to 46p. Peel Holdings, which announced a £17m rights issue on Monday, shed 15 to 425p.

Charterhouse advance

The agreed cash and shares bid by Belgium's Petrofina for Charterhouse Petroleum saw the latter race ahead to close 34 higher at 100p. The news also triggered a flurry of takeover speculation in other second-line oils. Clyde Petroleum, regarded as a prime bid target, jumped 10 to 60p, while Charles Capel moved up 5 to 100p. Sovereign Oil rose sharply to touch 84p before profit-taking left the shares at 74p. Goal Petroleum rallied a couple of pence to 50p.

Leading oils gained ground in the first few minutes of trading, helped by the sharp rise on Wall Street overnight, but were quickly subdued by the latest slide in North Sea oil prices. BP settled unchanged on balance at 535p, after opening at 540p, while Shell were finally unaltered on the day at 635p, after 640p. Elsewhere, Triton Europe remained a highly volatile market closing 15 up at 250p.

Golds steadier

South African Gold shares staged a minor improvement in the latest bullion price. The latter gained ground for the fourth successive trading day to close a net $2.25 higher at $321.75 an ounce. Share prices were marked up at the outset and held steady for the rest of the session. The leaders posted gains ranging to ¾, as in Vaal Reefs, £42¼. Randfontein put on ½ to £48⅞, and Winkelhaak and Southvaal added ½ apiece at £12⅞ and £20⅞ respectively. President Steyn, on the other hand, slipped ¼ to a 1985 low of £11⅛.

Business in South African Financials was negligible but UK-domiciled issues provided weak spots in Consolidated Gold Fields and Hampton Areas. The latter dropped 14 to 123p following the disappointing interim results, while the former remained a dull market and settled a like amount down at 443p, reflecting fading bid hopes and the general weakness in UK equities. Rio Tinto-Zinc lost a few pence at 512p.

A minor rally by overnight Sydney and Melbourne markets brought an end to the recent decline in many of the leading Australian stocks, but trading in the sector remained at a low level. CRA edged up 4 to 248p while marginal improvements were seen in MIM Holdings, 121p, and Western Mining, 146p. Elsewhere, Cornwall's Geevor Tin lost 5 to a 1985 low of 65p.

FINANCIAL TIMES STOCK INDICES

	Dec. 17	Dec. 16	Dec. 13	Dec. 12	Dec. 11	Dec. 10	year ago
Government Secs	82.91	82.85	83.13	83.18	82.74	82.61	82.26
Fixed Interest	88.86	88.83	88.06	88.84	88.52	88.68	85.78
Ordinary	1089.9	1100.3	1105.9	1104.8	1103.7	1113.7	838.9
Gold Mines	259.8	257.3	250.3	264.2	267.7	263.0	452.2
Ord. Div. Yield	4.56	4.53	4.51	4.51	4.50	4.41	4.58
Earnings, Yld. % (full)	11.52	11.23	11.13	11.17	11.15	11.05	11.53
P/E Ratio (net) (*)	10.90	10.99	11.05	11.04	11.06	11.26	10.32
Total bargains (Est.)	21,513	31,170	23,083	24,415	24,881	29,145	35,711
Equity turnover £m.	—	338.13	456.17	478.44	517.37	483.84	384.96
Equity bargains	—	18,401	19,595	18,973	21,311	24,530	26,406
Shares traded (ml)	—	170.5	225.8	233.4	249.5	235.0	199.5

10 am 1099.8. 11 am 1095.5. Noon 1089.3. 1 pm 1088.1. 2 pm 1089.7. 3 pm 1087.0. 4 pm 1089.9.

Day's High 1101.3. Day's Low 1086.0.

Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=10.51.

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (15/10)	78.02 (18/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.58 (23/10)	82.17 (18/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1146.9 (20/11)	911.0 (14/1)	1146.9 (20/11/85)	49.4 (26/6/40)
Gold Mines	536.0 (15/4)	217.5 (3/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Dec. 16	Dec. 13
Daily Gilt Edged Bargains	134.0	137.2
Equities Bargains	119.8	127
Value	683.4	920.0
5 day average Gilt Edged Bargains	141.5	141.0
Equities Bargains	133.6	149.6
Value	810.5	1064.0

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (34)

BRITISH FUNDS (2) Exch. 2½pc 1986. Exch. 2½pc 1987. AMERICANS (4) Abbott Labs., Chrysler, Sara Lee, Union Carbide. BANKS (4) Algemene Bank Ned., Allied Irish Banks, Commerzbank, Deutsche Bank. BREWERS (1) Irish Distillers. BUILDINGS (4) Crouch 10.). Intl. Amco Corp., Meyer Intl. CHEMICALS (2) Alida Hldgs., Bayer AG. STORES (1) Amber Day. ELECTRICALS (1) CAP. ENGINEERING (1) British Steam. FOODS (1) Dart & Kraft. INDUSTRIALS (5) Electrolux, Halma, Photo-Me, Pitney-Bowes Cnv. Ln., Prestwich. INSURANCE (1) Allianz AG. LEISURE (1) Fairline Boats. PAPER (1) Smurfit (Jefferson). TRUSTS (6) Archimedes Inc., Drayton Japan, Gen. Consolidated, Inv. in Success, Murray Smllr, Mkts. E. NMC Invs.

NEW LOWS (58)

AMERICANS (2) Corporate Data Sciences, Texaco. BANKS (2) Cater Allen, Union Discount. BREWERS (1) Belhaven Brewery. BUILDINGS (1) AMEC. CHEMICALS (2) Amersham Intl., Holt Lloyd Intl. STORES (1) Bedford (Wm.). ELECTRICALS (9) Automated Security, Brikat, Compsoft, Norbain Elects., Oceonics, Questel, TDS Circuits, Webber Electro., Wordplex. ENGINEERING (3) Braithwaite, Brown (John), Cohen (A). FOODS (3) Berisford (S. & W.), Chambers & Fargus, Glass Glover. INDUSTRIALS (2) Aaronite, Bespak. LEISURE (2) A. & M., Juliana's. NEWSPAPERS (2) Home Counties, Portsmouth & Sunderland. PAPER (8) ATA Selection, Aldcom Intl., Davidson Pearce, Delyn Packaging, Good Relations, Peters (Michael). PROPERTY (2) Centrovincial Estates, Cons. Tern. Invs. SHIPPING (1) Lon. & O'seas. Frtrs. TRUSTS (4) London Trust, Do. Warrants, Pacific Inv. Tst. Wrts., Wemyss Inv. TEXTILES (1) Corah. OILS (4) Enterprise Oil, North Sea & Gen. Inv., Santos, Sovereign Oil. OVERSEAS TRADERS (1) Finlay (James). PLANTATIONS (1) Anglo-East Plants. MINES (8) President Steyn, Cultus Pacific, Emperor Mines, Metals Explo., Pacingo Mining, Whim Creek, Geevor Tin, Tara Explo.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	65	4	40
Corpns, Dom and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial & Props	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 16	Jan 3	Mar 26	Apr 7
Jan 6	Jan 17	Apr 10	Apr 21
Jan 20	Jan 31	Apr 24	May 5

For rate indications see end of Unit Trust Service

Stocks favoured for the call included STC, County Properties, Racal Electronics, Noble and Lund, Amstrad, Consumer Electronics, Tricentrol, British Home Stores, Polly Peck, Fairline Boats and C. E. Bailey. No puts were reported, but a double was transacted in J. Hepworth.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

[illegible]

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Brit. Home Strs.	17	344	−2
Euro. Ferries	16	147	−3
Boots	15	251	+1
GUS A	14	817	−13
Parkfield	14	225	+1
Imperial Group	13	334	+4
Triton Europe	13	235	+6
Utd. Biscuits	13	249	+4
BTR	12	356	−4
Bailey (C.H.)	12	[illegible]	[illegible]
Glaxo	12	£13	[illegible]
Pilkington Bros	12	318	−2

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 30,658

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

December 17 Total contracts 15,406 Calls 11,195 Puts 4,211

*Underlying security price

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

NETHERLANDS

[illegible]

ITALY

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xs Ex scrip issue. xr Ex rights xa Ex all.

CANADA

TORONTO

Prices at 2.30pm December 17

[illegible]

MONTREAL

Closing prices December 16

[illegible]

Total Sales 4 166 626 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

Ind div yield %	3.48	3.50	3.52	4.12
Ind. P/E Ratio	14.90	13.91	13.82	10.65
Long Gov Bond Yield	8.54	8.84	8.89	11.37

N.Y.S.E. ALL COMMON

Dec 17	Dec 16	Dec 13	Dec 12	1985 High	1985 Low
121.8*	121.90	120.83	118.12	126.90 (16/12)	94.60 (4/1)

RISES AND FALLS

	Dec 16	Dec 13	Dec 11
Issues traded	2,076	2,072	2,067
Rises	1,022	1,265	1,118
Falls	677	422	588
Unchanged	377	385	383

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Union Carbide	3,341,000	70⅞	+ ⅜
Philips Petrlm.	2,664,900	12⅝	+ ⅛
Reynolds Inds.	2,368,700	32⅞	+ ½
Comwth Edison	2,312,200	29⅞	— ⅜
ITT	2,237,600	37	+ ¼
AT&T	2,224,300	24⅞	+ ⅜
Texaco	2,111,500	28⅜	−1⅞
Merrill Lynch	1,841,700	36¼	+ ¾
Philip Morris	1,841,400	87⅝	+2⅛
J. P. Morgan	1,595,700	65⅝	− ⅜

TORONTO	Dec 17	Dec 16	Dec 13	Dec 12	1985 High	1985 Low
Metals & Minls	2,124.10*	2,071.0	2,028.7	2,018.37	2190.7 (13/2)	1740.82 (31/10)
Composite	2,886.40*	2,882.7	2,886.9	2,851.7	2584.0 (4/12)	2348.5 (8/1)
MONTREAL Portfolio	141.98*	141.71	145.87	139.45	141.71 (12/12)	117.00 (4/1)

* Indicates pre-close figure

[illegible]

** Saturday December 14: Japan Nikkei (c). TSE (c).

Base value of all indices is 100, except: JSE Gold—255 7: JSE Industrial—264 3: Australia All Ordinary and Metals—500: NYSE All Common—50: Standard and Poors—10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 33

[illegible]

LONDON

Chief price changes
(In pence unless *otherwise indicated*)

RISES

Amstrad	188	+ 6
Bemrose	153	+11
British St	164	+14
Carless Cap	100	+ 5
Charterhse Pet	100	+34
Cifer	10	+ 2
Clyde Pet	60	+10
Logica	154	+17
Lucas Ind	435	+ 9
Micro Scope	125	+10
Watson (R Kelv)	250	+ 7

FALLS

Abbey Life	190	− 7
Beecham	323	− 7
Berisford (S&W)	150	− 5
Cadbury Schw	154	− 4
Caparo Prop	48	− 6
Consgold	443	−14
Distillers	480	− 8
Grand Metrop	363	− 5
Greene King	190	− 8
Hampton Areas	123	−14
Legal & Gen	725	−10
Rowntree Mack	412	−11
Sangers Photo	85	−10
Stone Int	158	−18
Superdrug St	448	−12
TI	359	−11
Thorn EMI	399	− 8
United Bisc	245	− 7
Watson & Phil	143	− 7

Lindt plans to increase dividend

BY JOHN WICKS IN ZURICH

LINDT & Sprüngli, the Swiss-based chocolate and confectionery group, is to increase its dividend and carry out a rights issue of voting and non-voting shares.

For the current year the company expects world turnover to increase from SFr 641m ($212m) to more than SFr 670m. The board has already decided to ask the shareholders' meeting on April 17 1986 to approve a dividend increase from SFr 110 to SFr 120 a share.

An extraordinary meeting on January 29 will vote on a capital increase, including the issue of 2,400 new registered shares of SFr 500 each at par. Holders of 10 existing registered or bearer shares would have the right to buy one new share.

A further 1,600 registered shares will be issued without shareholders' rights at SFr 2,550 each to the company's "fund for pension supplements."

As a third measure, 12,000 participation certificates (non-voting shares) of SFr 50 nominal value will be offered to shareholders at SFr 900 each, with rights to one certificate for every two existing registered or bearer shares held.

The three transactions will raise more than SFr 18m for the company.

Ericsson wins $35m contracts in N. America

BY KEVIN DONE IN STOCKHOLM

ERICSSON, the Swedish telecommunications and electronics group, has won contracts worth about $35m to supply cellular radio systems and equipment to a number of cities in North America.

It is to provide turnkey cellular systems for the Bay Area Cellular Telephone Company operating in San Francisco and San Jose in California.

At the same time mobile telephone operators in Ohio and Michigan have placed orders for Ericsson equipment to expand the Detroit system to four other cities.

Cantel, Canada's national mobile telephone operator, is expanding its service to link Quebec, Ottawa, London and Kitchener to existing switches in Toronto and Montreal.

Ericsson says the latest orders mean that it currently has 25 per cent of the available non-wire line cellular system market in North America. It has contracts in 22 countries and has so far installed or has on order half of the 600,000 mobile telephone channels assigned around the world.

Prices at 3pm, December 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 33

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
40⅝	29¼	WscPS2.86		7.2	9	40	40	39⅞	39⅞	+⅛
41⅝	37¾	Wilco	1.40	3.7	10	58	40⅞	40⅞	40⅞	−⅛
14	9½	WolvrW .24		1.9		150	12⅝	12⅝	12⅝	+⅛
62½	39⅝	Wolwth	2	3.3	12	549	60	59⅛	59¼	−¾
88¼	51½	Wolw pf2.20		3.6		1	84½	84½	84½	−½
5⅝	2½	WldA				68	4¼	4⅛	4⅛	−⅛
94¼	55⅝	Wrigly 1.60a		1.6	16	27	94½	93¼	94	−1
4¾	2⅞	Wurltz				19	3⅞	3⅞	3⅞	
18	10⅝	WyleLb .32		2.0	85	430	15⅞	15⅝	15⅝	−⅛
23⅝	15½	Wynns	.60	3.5	13	158	17½	17¼	17¼	

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60½	37¼	Xerox	3	5.1	20	3871	60	59⅝	59⅝	
56¾	48⅛	Xerox pf5.45		10		1	54¼	54¼	54¼	−½
30¼	24⅝	ZaleCp 1.32		4.6	13	z26	29	28¾	28¾	
17	6¼	Zapata	.12	1.7	48	2581	7	6⅞	6⅞	+⅛
66⅛	32⅝	Zayre s	.48	.8	19	717	64⅝	62¾	63¼	−1
23	16¼	ZenithE				10502	23⅝	21⅝	20⅞	21	−1⅛
22⅝	15¾	Zero s	.32	1.4	16	59	u22⅞	22½	22¾	+½
41½	24⅝	Zurn	1.32	3.5	14	270	38⅛	38	38	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, December 17

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Blue chips remain on the boil

A FURTHER slide in yields on US Treasury bonds kept Wall Street stocks on the boil yesterday, *writes Terry Byland in New York.*

Blue chips rallied from a bout of profit-taking and moved to new peaks in another session of heavy trading.

However, the firmness in bonds could not entirely discourage the profit-takers in the stock market. An early dip of 8 points in the Dow average was quickly recovered, but attempts to move higher were resisted.

At 3pm the Dow Jones industrial average was down 0.46 at 1,552.64.

The sharp dip in November housing starts strengthened expectations that the Fed might soon ease credit policy to boost the economy. Treasury-bill rates dipped below 7 per cent, and the prospect of a 9 per cent yield on 30-year federal bonds came into view as bond prices broke through new resistance points.

The short end of the credit market was signalling an early cut in federal discount rate although opinions among analysts were by no means unanimous. The Fed encouraged the optimists with $1bn in customer repurchase arrangements when federal funds stood at 7 15/16 per cent.

Interest-rate confidence was also signalled by fresh gains in utility stocks and by SEC shelf registrations by US companies, opening the way for speedy credit issues if rates continue to fall. General Motors filed for $5bn and Marriott for $200m.

Initial profit-taking in the stock market was not unexpected although prices reacted sharply, when the buyers reappeared. IBM was at the top of the shopping lists and gained $1⅞ to a new peak of $153⅞ in heavy turnover.

The likelihood that lower interest rates will boost car sales brought gains in motor stocks. General Motors gained $⅝ to $76⅝. Chrysler, still trading heavily on the plan to buy in stock from the employee investment plan, held steady at $46⅝. At $58⅞ Ford added $⅝.

There were strong gains in chemical stocks, which benefit both from lower oil prices and from prospects for increased economic activity by the industrial nations. Du Pont jumped $1½ to $67 and Monsanto $1⅛ to $49⅝.

Selective buying of industrial issues featured General Dynamics, up $1 to $69, Minnesota Mining & Manufacturing, up $1⅛ at $91⅛, and AT&T, up $⅜ at $24⅛.

But airline stocks were slow to rally from the early profit-taking. At $51⅛ United shed $1 and American gave up $⅛ to $44.

The Dow average again benefited from the bid situation in Union Carbide stock, which gained $1 to $71⅛ in another session of heavy trading. Arbitrageurs are building holdings in Union Carbide at prices well short of the $85 a share offered by the company itself but now challenged legally by GAF, the rival bidder.

A new favourite for takeover speculation was TRW, which bounded $6⅞ to $91⅞ in thin trading. The company knew of no reason for the share price rise.

Also heavily traded was Texaco, down $1 to $27⅞ as Wall Street awaited the next move on the penalty imposed by the federal courts over the Getty Oil deal.

Pharmaceutical stocks turned mixed after the sharp advance of the past month. Merck eased $⅜ to $136⅞ in light trading, and others to turn sluggish included Pfizer, down $⅝ at $53⅞, and Up john, down $⅛ at $134⅛.

In the bond market gains ranged to a full point, bringing the yield on the key long bond down to 9.34 per cent, a net fall of about 100 basis points in the past month.

Treasury bill rates were several basis points lower, raising expectations of cuts in bank prime rates, if not in the federal discount rate, in the near future.

TOKYO

Fresh high as focus of buying shifts

RESPONDING to the overnight surge on Wall Street, the Tokyo Stock Exchange hit another peak yesterday with its seventh consecutive gain, *writes Shigeo Nishiwaki of Jiji Press.*

Investors' attention shifted away from blue chips, mainly in the electrical sector, that had led the bull market last week, to large-capital issues such as Tokyo Electric Power, domestic demand-oriented stocks such as properties, warehouses and electric railways and to some biotechnology-related shares.

The Nikkei market average gained 11.9 to a record 13,128.94, but the exchange's arithmetic average moved lower. Volume increased slightly to 343m shares from Monday's 274m. Declines outnumbered advances by 429 to 370, with 164 issues unchanged.

The lower trend in US interest rates, which has fuelled Wall Street buying, prompted individual profit-taking in anticipation of lower Japanese interest rates. Meanwhile, big-capital and domestic demand related issues were bought for capital gains ahead of next Wednesday, the final day of trading for the delivery of stocks this year.

Mitsubishi Estate topped the active list with 13.72m shares traded, climbing Y60 to Y1,200. Sumitomo Realty and Development and Mitsui Real Estate Development also gained in active trading, adding Y90 to Y1,200 and Y70 to Y1,080 respectively.

Elsewhere, some biotechnology-related stocks returned to favour. Takeda Chemical firmed Y28 to Y977, Chugai Pharmaceutical Y55 to Y1,040 and Kuraray Y30 to Y1,490. But the recently favoured Mitsubishi Chemical and Asahi Chemical shed on profit-taking, slipping Y3 to Y537 and Y2 to 825 respectively.

Blue chips that had led the market advance last week lost virtually across the board. Toshiba lost Y7 to Y381, Matsushita Electric Industrial Y40 to Y1,320, Hitachi Y10 to Y775, Sony Y100 to Y4,200 and TDK Y100 to Y4,550.

Amid growing concern over the recent surge, prices in the bond market weakened with the yield on the benchmark 6.8 per cent government bond due December 1994 rising for the first time in seven sessions to 5.620 per cent.

The market opened firm in response to a decline in US interest rates but eased later as many investors moved to the sidelines, daunted by the sharp decline of 0.815 per cent in the yield on the benchmark bond from December 7 to 16.

HONG KONG

PROFIT-TAKING nibbled away at prices in Hong Kong, and most ended a few cents easier on the day's trading.

News late in the day that Jardine Matheson had sold a Hong Kong residential development for HK$254.5m caused a brief flurry in the market, sending Jardine 10 cents higher to HK$13.30.

Otherwise, properties were lower. Cheung Kong fell 40 cents to HK$20.80, Hongkong Land 10 cents to HK$6.45 and Sun Hung Kai Properties 20 cents to HK$12.70.

SINGAPORE

SELECTIVE BUYING late in the session in Singapore helped some stocks recover some of their early heavy losses.

Attention centred on Singapore Airlines, which will make its debut on the exchange today. On the unofficial market it traded around S$5.00, the issue's initial public offer price.

The Straits Times industrial index closed down 5.60 at 638.45, and declines overwhelmed advances 113 to 24.

CANADA

MINING and transport stocks provided the only momentum in an otherwise mixed Toronto.

Canadian Pacific traded C$¼ higher at C$18⅛, and fellow blue-chip Alcan gained C$1⅛ to C$47⅞.

Among miners Falconbridge was again higher, adding C$⅜ to C$20. Noranda climbed C$½ to C$15⅞.

Higher miners also pushed Montreal higher.

EUROPE

End-of-year celebrations amid peaks

THE END-OF-YEAR celebrations continued on European bourses yesterday as records were set in a number of centres and investors vied with their transatlantic cousins for the laurels of the most dazzling stock market display of the year.

The Zurich peak – its sixth in a row – was on the back of modest gains with strong buying of banks and industrials, although special situations offered the real interest.

Chocolate producer Lindt stole the show with its brilliant SFr 3,000 surge to SFr 14,000 after announcing plans to boost the dividend and make a rights issue.

Oerlikon-Bührle put on SFr 40 to SFr 1,330 on news that its aircraft subsidiary Pilatus would receive a substantial order from the Australian air force.

Sandoz put on SFr 50 to SFr 10,650 as the rumour merry-go-round linked it with a possible takeover of Warner-Lambert, the US pharmaceuticals group.

Crédit Suisse gained SFr 15 to SFr 3,660, and Swiss Bank added SFr 3 to SFr 553.

Higher bond market turnover was translated into small but widespread gains.

Frankfurt eased back from the record of the previous session with a small dose of profit-taking that left the Commerzbank index 11.4 lower at 1,836.5. Foreigners were once again active.

The flickering embers of the Flick soap opera were rekindled with Deutsche Bank setting a price of DM 1,120 for each of the 3.4m shares of Daimler that the bank acquired from industrialist Friedrich Karl Flick.

Digesting the news, investors marked Daimler down DM 31.50 to DM 1,220.50 and Deutsche Bank up DM 1 to DM 801, a new high for the year.

Other banks weakened while the remaining car makers were mixed, with BMW posting the best showing with its DM 7 rise to DM 579.

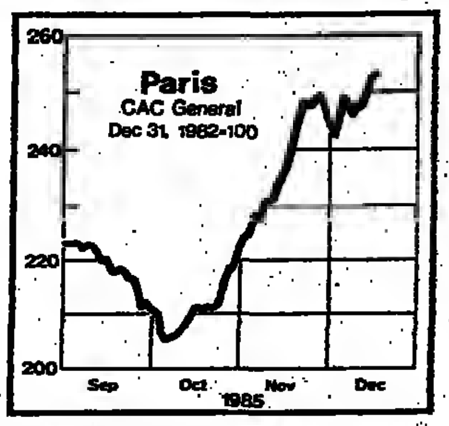
Chemicals lost most of Monday's lustre, with BASF cheaper by DM 3.20 at DM 269.30 and Hoechst DM 3 lower at DM 272.

The bond market continued to enthrall although foreign buyers were not much in evidence. Gains of up to 45 basis points were scored, with the longer end of the market offering more appeal.

The Bundesbank's allocation of DM 8.7bn at 4.60 per cent in a new securities repurchase offer had been largely expected and had no impact on prices.

Amsterdam sprinted to a fresh record with a 0.4 rise in the ANP-CBS General index largely on the strength of the overnight performance of Wall Street. But as New York investors began to mark prices lower in early trading, Dutch courage was lacking.

Some publishers with US interests maintained their firmness. Elsevier put on Fl 2.50 to Fl 172.50 while VNU picked up Fl 2 to Fl 284.



Among internationals Royal Dutch slipped Fl 1.90 to Fl 171.70, Unilever lost Fl 1 to Fl 384 and Philips surrendered 40 cents to Fl 57.20 ex dividend.

Bonds were higher where changed.

Paris perked up despite a 45-minute halt to trading due to a bomb alert that forced the evacuation of the bourse. Wall Street's magnetic influence was cited for the firmer sentiment.

Brussels suffered a pincer-like grip of a sharp rise in short-term interest rates and the predatory intentions of Petrofina on Charterhouse Petroleum of the UK.

Belgium's leading industrial group and one of the most important constituents of bourse indices fell BFr 190 to BFr 6,500 while the decision to boost the rate on short-term Treasury certificates by 0.90 percentage point to 9.75 from 8.85 had an understandably harsh impact on utilities, holding companies and other interest-rate-sensitive issues.

Milan began the first day of its 1986 trading year with heavy buying of industrials which boosted Fiat L201 to L4,880 as Montedison firmed L73 to L2,548.

Madrid lost ground in light trading while Stockholm suffered large falls across the board.

LONDON

Lingering oil price worries

DESPITE a strong overnight lead from Wall Street, London lost further ground yesterday. Gilts, in contrast, made a firmer showing, helped by an early improvement in sterling against the US dollar.

Blue-chip industrials were initially higher, but investors again showed a reluctance to commit funds, and the stocks drifted gently lower.

A late technical rally left leading stocks a few pence above the worst of the day, but underlying sentiment remained sensitive against a backdrop of continuing oil price uncertainties.

The FT Ordinary share index, which lost 14.5 at one stage, finished down 10.4 at 1,089.9.

Gilts ended with small gains. Longs recorded rises of around ¼ while shorts were usually limited to 1/16.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28-29

AUSTRALIA

AS A RESULT of firmer world bullion and metal prices, Sydney moved higher across the board.

The gold index recorded its first gain after 14 consecutive falls to end 3.3 up at 814.8.

Among miners CRA added 8 cents to A$5.26, MIM 8 cents to A$2.58, Western Mining 5 cents to A$3.11 and gold stock Bougainville 1 cent to A$1.85.

News Corporation, owned by publishing entrepreneur Mr Rupert Murdoch, rose 50 cents to A$9.00 after reporting a net profit of A$35.3m for its first quarter, up 145 per cent from the previous year.

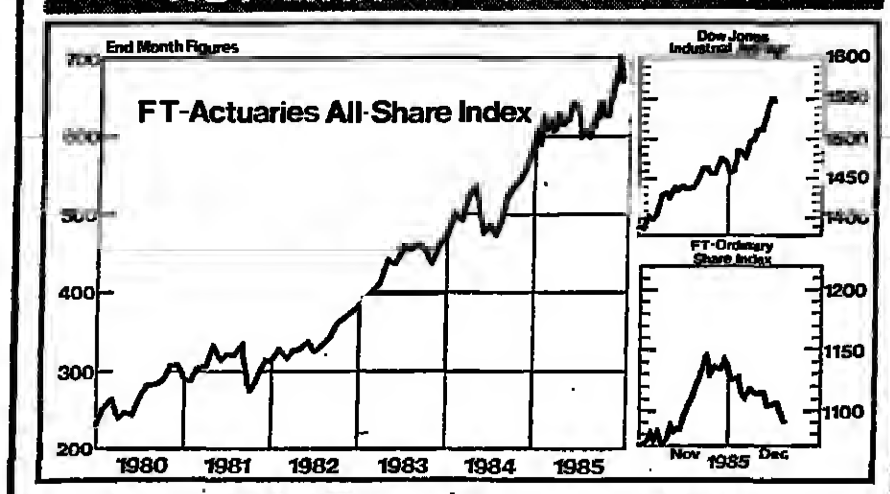
SOUTH AFRICA

A MIXED to easier trend was evident in Johannesburg, pulled down by lower prices among gold stocks.

Driefontein ended down 75 cents at R47.50, and Vaal Reefs lost R1 to R208. Both Buffels and Modder were unchanged at R82.25 and R12.75 respectively.

In industrials Barlow Rand remained steady at R12.95.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 17	Previous	Year ago
NEW YORK			
DJ Industrials	1,552.64*	1,553.10	1,176.79
DJ Transport	721.21*	723.31	539.86
DJ Utilities	172.80*	171.01	145.77
S&P Composite	211.19*	212.02	163.61
LONDON			
FT Ord	1,089.9	1,100.3	939.9
FT-SE 100	1,365.4	1,376.5	1,212.5
FT-A All-share	662.51	667.75	583.80
FT-A 500	725.37	731.38	640.08
FT Gold mines	259.8	257.5	452.2
FT-A Long gilt	10.44	10.46	10.29
TOKYO			
Nikkei	13,128.94	13,117.85	11,455.7
Tokyo SE	1,046.30	1,047.90	890.94
AUSTRALIA			
All Ord.	980.5	974.8	714.3
Metals & Mins.	474.8	469.6	401.5
AUSTRIA			
Credit Aktien	115.95	115.78	58.84
BELGIUM			
Belgian SE	2,887.61	2,896.87	—
CANADA			
Toronto			
Metals & Minls	2,124.10*	2,071.06	1,864.00
Composite	2,886.40*	2,882.76	2,352.30
Montreal			
Portfolio	141.98*	141.71	118.13
DENMARK			
SE	232.78	232.37	166.94
FRANCE			
CAC Gen	253.4	252.9	180.5
Ind. Tendance	147.0	146.7	99.5
WEST GERMANY			
FAZ-Aktien	619.56	619.51	369.69
Commerzbank	1,836.5	1,847.9	1,073.2
HONG KONG			
Hang Seng	1,720.45	1,728.21	1,166.42
ITALY			
Banca Comm.	444.79	430.62	219.89
NETHERLANDS			
ANP-CBS Gen	241.2	240.8	179.0
ANP-CBS Ind	224.5	222.9	143.5
NORWAY			
Oslo SE	397.80	388.45	281.09
SINGAPORE			
Straits Times	638.45	644.05	802.09
SOUTH AFRICA			
JSE Golds	–	1,118.9	915.5
JSE Industrials	–	1,034.3	925.4
SPAIN			
Madrid SE	136.83	137.65	99.42
SWEDEN			
J & P	1,713.10	1,750.59	1,332.54
SWITZERLAND			
Swiss Bank Ind	558.0	554.5	382.8
WORLD	Dec 16	Prev	Year ago
Capital Int'l	253.2	251.8	183.2

COMMODITIES

(London)	Dec 17	Prev
Silver (spot fixing)	410.60p	405.30p
Copper (cash)	£975.25	£985.25
Coffee (Jan)	£2,380.00	£2,253.50
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	Dec 17	Prev
London	$321.75	$319.50
Zürich	$321.25	$319.25
Paris (fixing)	$323.28	$318.63
Luxembourg	$321.00	$318.50
New York (Feb)	$323.90	$324.90

CURRENCIES

(London)	US DOLLAR Dec 17	US DOLLAR Previous	STERLING Dec 17	STERLING Previous
$	–	–	1.437	1.438
DM	2.511	2.523	3.6075	3.6275
Yen	201.85	202.6	290.0	291.25
FFr	7.665	7.7175	11.015	11.0975
SFr	2.101	2.1125	3.02	3.0375
Guilder	2.824	2.845	4.0575	4.09
Lira	1,709.0	1,720.5	2,455.75	2,474.0
BFr	51.1	51.5	73.45	74.05
C$	1.39455	1.39405	2.0051	2.0033

INTEREST RATES

	Dec 17	Prev
Euro-currencies (3-month offered rate)		
£	11¾	11⅞
SFr	4 5/16	4 7/16
DM	4 13/16	4 13/16
FFr	12⅛	12⅛
FT London Interbank fixing (offered rate)		
3-month US$	7 15/16	7 15/16
6-month US$	7 15/16	8
US Fed Funds	7 13/16*	8½
US 3-month CDs	7.60*	7.65
US 3-month T-bills	6.99*	7.06

U.S BONDS

Treasury		Dec 17* Price	Dec 17* Yield	Prev Price	Prev Yield
8½	1987	101 1/32	7.930	100 29/32	7.966
9⅜	1992	104 17/32	8.850	103 24/32	8.998
9½	1995	103 3/32	9.020	102 5/32	9.162
9⅞	2015	105 19/32	9.342	104	9.47

Treasury Index

Maturity (years)	Return index (Dec 17*)	Day's change (Dec 17*)	Yield	Day's change
1–30	137.45	+0.62	8.65	–0.09
1–10	134.06	+0.45	8.38	–0.09
1– 3	128.85	+0.15	7.97	–0.06
3– 5	136.02	+0.52	8.53	–0.12
15–30	149.65	+1.25	9.60	–0.09

Source: Merrill Lynch

Corporate	Dec 17* Price	Dec 17* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	9.90	101½	9.90
3⅞ July 1990	85⅞	7.62	85⅝	7.70
8¾ May 2000	91¼	9.90	89¾	10.10
Xerox				
10⅞ Mar 1993	104⅛	9.80	104⅛	9.80
Diamond Shamrock				
10⅜ May 1993	102	10.20	102	10.20
Federated Dept Stores				
10⅝ May 2013	99⅜	10.70	99¾	10.70
Abbot Lab				
11.80 Feb 2013	108¼	10.85	108¼	10.85
Alcoa				
12¼ Dec 2012	105⅞	11.60	105⅞	11.60

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	84-21	84-31	84-10	83-28
US Treasury Bills (IMM) $1m points of 100%				
Mar	93.31	93.34	93.27	93.28
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.71	92.71	92.69	92.65
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	92.38	92.39	92.33	92.35
20-year Notional Gilt £50,000 32nds of 100%				
Mar	110-28	111-09	110-25	110-30

* *Latest available figures*